

**PORT OF ST. HELENS  
COLUMBIA COUNTY, OREGON**

**FINANCIAL STATEMENTS**

**Year Ended June 30, 2016**



**PORT OF ST. HELENS  
COLUMBIA COUNTY, OREGON  
FOR THE YEAR ENDED JUNE 30, 2016**

**BOARD OF COMMISSIONERS**

<b><u>Name</u></b>	<b><u>Position</u></b>	<b><u>Term Expires</u></b>
Paulette Lichatowich PO Box 439 Columbia City, OR 97018	1	June 30, 2019
Mike Avent PO Box 1236 Rainier, OR 97048	2	June 30, 2019
Larry Ericksen 53070 NW Manor Dr Scappoose, OR 97056	3	June 30, 2019
Terry Luttrell 435 S 8 <sup>th</sup> St St. Helens, OR 97051	4	June 30, 2017
Chris Iverson PO Box 1112 St. Helens, OR 97051	5	June 30, 2017

**Registered Agent and Address:**

**Patrick B. Trapp, Executive Director  
P.O. Box 190  
Columbia City, OR 97018**

**PORT OF ST. HELENS**  
**FINANCIAL STATEMENTS**  
**Year Ended June 30, 2016**

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**PORT OF ST. HELENS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2016**

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

**Overview of the Financial Statements**

This audit report consists of three parts – management's discussion and analysis (this section), the basic financial statements (including notes), and supplementary information. The report is guided by accounting and reporting principles established by the Governmental Accounting Standards Board (GASB). The basic financial statements are prepared on the accrual basis, similar to a private 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 a balance sheet which includes the Port's assets, liabilities, and net position (assets minus liabilities) at year end; statement of revenues, expenses, and changes in net position, which includes all revenues, expenses, and grants received for construction for the year; and statement of cash flows, which represents the sources and uses of cash for the year. The financial statements also includes notes that explain some of the information in the financial statements and provide more detailed data. Following the financial statements is a section of supplementary information, which further explains and supports the information in the financial statements.

**Financial Results**

The Port's total net position increased from the prior year from \$39.9 million to 43.9 million. Additions to capital assets of just under \$8.4 million include building improvements and a berth. Construction in progress includes the extension of the Port's administrative building in Columbia City and a building expansion at the Port Avenue site in Milton Way Industrial Park.

The Port ended the year with an operating gain of \$3.9 million. This result can be attributed largely to grant funds that were used for additions to fixed assets.

The analysis in Table 1 below focuses on the net position of the Port; Table 2 focuses on the revenues and expenses of the Port.

**Table 1 – Net Position**

	<u>2016</u>	<u>2015</u>
<b>Assets and deferred outflows</b>		
Current	\$ 5,797,608	\$ 6,373,142
Restricted	240,467	957,610
Capital assets, net	41,537,953	34,983,478
Other	10,621,008	11,727,936
<b>Total assets and deferred outflows</b>	<b><u>58,197,036</u></b>	<b><u>54,042,166</u></b>
<b>Liabilities and deferred inflows</b>		
Current	2,620,904	1,606,293
Other liabilities	11,657,396	12,504,561
<b>Total liabilities and deferred inflows</b>	<b><u>14,278,300</u></b>	<b><u>14,110,854</u></b>
<b>Net position</b>		
Invested in capital assets, net of related debt	29,553,865	21,923,596
Unrestricted	14,124,404	17,483,004
Restricted	240,467	524,712
<b>Total net position</b>	<b><u>\$ 43,918,736</u></b>	<b><u>\$ 39,931,312</u></b>

**PORT OF ST. HELENS  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
For the Year Ended June 30, 2016**

**Table 2 – Revenues and Expenses**

	<u>2016</u>	<u>2015</u>
<b>Operating revenues</b>		
Tenant rents	\$ 3,165,998	\$ 4,296,966
Taxes and assessments	334,990	332,857
Miscellaneous	28,180	8,642
Management fees	15,500	7,750
<b>Total operating revenue</b>	<u><b>3,544,668</b></u>	<u><b>4,646,215</b></u>
<b>Operating expenses</b>		
Personnel services	1,508,951	1,181,682
Materials and services	1,387,183	1,497,938
Depreciation	1,792,278	1,504,712
<b>Total operating expenses</b>	<u><b>4,688,412</b></u>	<u><b>4,184,332</b></u>
<b>Total operating income (loss)</b>	<u><b>(1,143,744)</b></u>	<u><b>461,883</b></u>
<b>Non-operating revenues (expenses)</b>		
Grants	5,191,391	229,527
Interest income	175,057	231,360
Interest expense	(643,486)	(688,926)
Intergovernmental income	426,698	442,424
Amortized bond issuance cost	(18,492)	(5,244)
<b>Net non-operating revenues (expenses)</b>	<u><b>5,131,168</b></u>	<u><b>209,141</b></u>
<b>Change in net position</b>	<b>3,987,424</b>	<b>671,024</b>
Net position, beginning of year	<u>39,931,312</u>	<u>39,260,288</u>
<b>Net position, end of year</b>	<u><b>\$ 43,918,736</b></u>	<u><b>\$ 39,931,312</b></u>

**PORT OF ST. HELENS  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
For the Year Ended June 30, 2016**

**Capital Assets**

The following table lists the Port's capital assets and their value as of June 30, 2016:

	<u>2016</u>	<u>2015</u>
<b>Capital assets</b>		
Land	\$ 10,717,651	\$ 10,492,693
Construction in progress	653,196	444,121
Depreciable costs	<u>50,000,435</u>	<u>42,087,715</u>
<b>Total capital assets</b>	<b><u>61,371,282</u></b>	<b><u>53,024,529</u></b>
Accumulated depreciation	<u>(19,833,329)</u>	<u>(18,041,051)</u>
<b>Total net capital assets</b>	<b><u>\$ 41,537,953</u></b>	<b><u>\$ 34,983,478</u></b>

For further information on the Port's capital assets, see Note E of the financial statements.

**Long-Term Obligations**

At June 30, 2016, the Port had \$1.4 million in notes payable outstanding. In addition, the Port has a special assessment debt with governmental commitments of \$10.5 million. A corresponding receivable from other governments has also been recorded for this amount. Including the special assessment debt, the Port reported a net decrease in debt of \$1.1 million for the 2015-16 fiscal year, with no new additions. Additional information on the Port's long-term debt can be found in Note G of the financial statements.

**Budgetary Highlights**

The Port's budget for the fiscal year 2015-16 was adopted by the Port Commission in June 2015 and certified by the Columbia County Clerk in July 2015. There were no changes to the appropriations during the year.

**PORT OF ST. HELENS  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
For the Year Ended June 30, 2016**

**Economic Factors and Next Year's Budgets and Rates**

As part of the Port's strategic planning and business planning process, regional and national economic trends and forecasts are reviewed and forecasted to help produce the annual budget. In the Port's 2016-17 budget, operating expenditures and revenues are forecast to remain consistent with prior years. The capital improvement budget for 2016-17 assumes several capital projects estimated at \$2.79 million.

**Contacting the Port's Financial Management**

This financial report is designed to provide users with a general overview of the Port's finances. If you have questions about this report or need additional information, contact the Port of St. Helens, P.O. Box 190, Columbia City, OR 97018.



## **INDEPENDENT AUDITORS' REPORT**

Board of Commissioners  
Port of St. Helens  
Columbia City, Oregon

We have audited the accompanying financial statements of the business-type activities of the Port of St. Helens, Columbia County, Oregon (the Port), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Port's basic financial statements as listed in the table of contents.

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

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

### **Auditor's Responsibility**

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 effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Port of St. Helens, Columbia County, Oregon as of June 30, 2016, and the changes in its financial position and cash flows, for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Board of Commissioners  
Port of St. Helens

**Other Matters**

**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages i through iv, and the pension information schedules on pages 30 to 31, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Information**

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The combining and budgetary comparison schedules and the schedule of tax collections and unpaid balances, as listed in the Table of Contents, 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Report on Other Legal and Regulatory Requirements**

In accordance with *Minimum Standards for Audits of Oregon Municipal Corporations*, we have also issued our report dated March 23, 2017, on our consideration of the Port's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance.

**KERN & THOMPSON, LLC**

Certified Public Accountants



Richard V. Proulx, CPA  
Partner

Portland, Oregon  
March 23, 2017

PORT OF ST. HELENS

BALANCE SHEET

June 30, 2016

ASSETS

**Current assets**

Cash and investments	\$ 5,252,745
Cash restricted for debt payments	240,467
Receivables, net of allowances	517,106
Prepaid expenses	27,757
<b>Total current assets</b>	<b><u>6,038,075</u></b>

**Noncurrent assets**

Capital assets	
Depreciable capital assets	50,000,435
Non depreciable capital assets	11,370,847
Accumulated depreciation	<u>(19,833,329)</u>
Capital assets, net	41,537,953
Receivables from other organizations	10,606,293
<b>Total noncurrent assets</b>	<b><u>52,144,246</u></b>

**Deferred outflows of resources**

14,715

**Total assets and deferred outflows**

**\$ 58,197,036**

LIABILITIES AND NET POSITION

**Current liabilities**

Accounts payable	\$ 1,301,712
Accrued interest payable	143,484
Compensated absences	83,398
Deferred revenue	153,410
Deposits	338,345
Notes payable and assessment debt - current	600,555
<b>Total current liabilities</b>	<b><u>2,620,904</u></b>

**Noncurrent liabilities**

Notes payable	1,251,079
Special assessment debt with government commitment	10,132,454
Net pension liability	223,706
<b>Total noncurrent liabilities</b>	<b><u>11,607,239</u></b>

**Deferred inflows of resources**

50,157

**Net position**

Investment in capital assets, net of related debt	29,553,865
Unrestricted	14,124,404
Restricted for debt payments	240,467
<b>Total net position</b>	<b><u>43,918,736</u></b>

**Total liabilities, deferred inflows and net position**

**\$ 58,197,036**

See notes to financial statements.

**PORT OF ST. HELENS**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

**Year Ended June 30, 2016**

<b>Operating revenues</b>	
Tenant rents	\$ 3,165,998
Taxes and assessments	334,990
Miscellaneous	28,180
Management fees	15,500
<b>Total operating revenues</b>	<b><u>3,544,668</u></b>
<b>Operating expenses</b>	
Personnel services	1,508,951
Materials and services	1,387,183
Depreciation	1,792,278
<b>Total operating expenses</b>	<b><u>4,688,412</u></b>
<b>Operating income (loss)</b>	<b><u>(1,143,744)</u></b>
<b>Non-operating revenues (expenses)</b>	
Grants and reimbursements	5,191,391
Interest income	175,057
Interest expense	(643,486)
Intergovernmental income	426,698
Amortized bond issuance cost	(18,492)
<b>Total non-operating revenues (expenses)</b>	<b><u>5,131,168</u></b>
<b>Change in net position</b>	<b>3,987,424</b>
Net position, beginning of year	<u>39,931,312</u>
<b>Net position, end of year</b>	<b>\$ <u><u>43,918,736</u></u></b>

See notes to financial statements.

**PORT OF ST. HELENS**  
**STATEMENT OF CASH FLOWS**  
**Year Ended June 30, 2016**

<b>Cash flows from operating activities:</b>	
Cash received from tenants	\$ 3,766,056
Cash received from property taxes	334,990
Other cash received	65,812
Payments to vendors	(196,870)
Payments to employees	(1,289,502)
<b>Net cash provided by (used in) operating activities</b>	<b><u>2,680,486</u></b>
<b>Cash flows from investing activities:</b>	
Interest income	<u>175,057</u>
<b>Cash flows from noncapital financing activities:</b>	
Grant proceeds	<u>5,191,391</u>
<b>Cash flows from capital and related financing activities:</b>	
Property and equipment (additions) deletions	(8,354,604)
Receipts from other organizations	419,436
Payments on notes and bonds payable	(1,075,794)
Interest paid	(264,117)
<b>Net cash provided by (used in) capital and related financing activities</b>	<b><u>(9,275,079)</u></b>
<b>Change in cash and cash equivalents</b>	<b>(1,228,145)</b>
<b>Cash and cash equivalents</b>	
Beginning of year	<u>6,721,357</u>
<b>End of year</b>	<b>\$ <u><u>5,493,212</u></u></b>
<b>Reported in the Balance Sheet as:</b>	
Unrestricted	\$ 5,252,745
Restricted	<u>240,467</u>
<b>Total</b>	<b>\$ <u><u>5,493,212</u></u></b>
<b>Reconciliation of operating income (loss) to cash provided by (used in) operating activities:</b>	
Operating income (loss)	\$ (1,143,744)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities	
Depreciation and amortization	1,792,278
Net pension obligation	219,449
(Increase) decrease in current assets:	
Operating receivables	615,867
Increase (decrease) in current liabilities	
Accounts payable and compensated absences	1,195,152
Deferred revenue and deposits	<u>1,484</u>
<b>Net cash provided by (used in) operating activities</b>	<b>\$ <u><u>2,680,486</u></u></b>
<b>Supplemental disclosure of non-cash investing and financing activities:</b>	
Interest income passed through from other government	\$ 426,698
Interest expense passed through from other government	\$ 426,698

See notes to financial statements.

**PORT OF ST. HELENS**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2016**

**NOTE A – DESCRIPTION OF ORGANIZATION**

The Port of St. Helens, Columbia County, Oregon (the Port) was established in 1940 under ORS Chapter 777 for the purpose of encouraging a healthy diversified economic climate in Columbia County, Oregon. The Port has acquired industrial and commercial property throughout Columbia County and offers it for lease or sale. Port staff markets these properties and provides interested businesses with development and financial assistance.

Control of the Port is vested in its five-member commission. Commissioners are elected to office by voters within the Port District, which encompasses the majority of Columbia County. Administrative functions are delegated to individuals who report to and are responsible to the commission. The chief administrative officer is the executive director.

The accompanying basic financial statements present all funds, for which the Port is considered to be financially accountable. The criteria used in making this determination includes the appointment of a voting majority, imposition of will, financial benefit or burden on the primary government, and fiscal dependence on the primary government. Based upon the evaluation of these criteria, the Port is a primary government with no includable component units.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

These statements have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB), the Financial Accounting Standards Board (FASB) and the American Institute of Certified Public Accountants (AICPA). In accordance with GASB Statement No. 20, the Port does not apply FASB pronouncements issued after November 30, 1989, unless GASB amends its pronouncements to specifically adopt FASB pronouncements after that date.

The accounts of the Port are organized on the basis of proprietary fund types, specifically enterprise funds. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that costs of providing goods and services be financed or recovered primarily through user charges. The activities of these funds are accounted for with a separate set of self balancing accounts that comprise the Port's assets, liabilities, net position, revenues and expenses. The Port uses several individual funds for state legal compliance that are combined and reported as a unitary enterprise similar to a commercial entity organized for profit for financial reporting. Enterprise funds account for activities (i) that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of an activity; or (ii) that are required by laws and regulations that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues; or (iii) that the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

**PORT OF ST. HELENS**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2016**

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these fund types are included on the Balance Sheet. Net position (i.e. total assets net of total liabilities) is segregated into invested in capital assets, net of related debt; restricted for debt service; and unrestricted components. Proprietary fund type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net position. Proprietary funds utilize the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with proprietary funds' principal ongoing operations. The principal operating revenues are charges to tenants for rents. Operating expenses for proprietary funds include the costs of services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

The following funds collectively comprise the enterprise activities reported by the Port:

**General** - Accounts for the operations of the Port. Principal revenue sources include transfers from the Revenue Fund, grants, property taxes, and long-term loans. Primary expenditures include general Port operations, capital improvements and purchases.

**Revenue** - Accounts for the rental activities of the Port's properties. Principal revenue sources are rents and management fees. Expenditures consist solely of transfers to the General Fund.

**Bond** - Accounts for the repayment of principal and interest on revenue bonds. The principal revenue source consists of transfers from the General Fund.

**Capital Improvement** - Accounts for capital improvement expenditures. The principal revenue source consists of transfers from the General Fund, grants, and long-term loans.

**Property Reserve** – Accounts for money set aside from the sale of Port property to be used for future capital improvements. This fund held no assets or liabilities and was not active for the year ended June 30, 2016.

**PORT OF ST. HELENS**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2016**

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Budget Policies and Budgetary Control**

Generally, Oregon Local Budget Law requires annual budgets be adopted for all funds except for agency funds. A budget is prepared for each fund in accordance with the modified accrual basis of accounting with certain modifications and legal requirements set forth in the Oregon Local Budget Law (ORS 294.305 to 294.565). The resolution authorizing appropriations for each fund sets the level at which expenditures cannot legally exceed appropriations. The Port established the levels of budgetary control at the object (personnel services, material and services, capital outlay, operating contingencies, debt service, and all other requirements) levels for all funds. Appropriations lapse at the end of each fiscal year.

The Port begins its budgeting process by appointing Budget Committee members each year. Budget recommendations are developed by management through early spring, with the budget committee meeting and approving the budget document in late spring. Public notices of the budget hearing are generally published in May or June and the hearing is held in June. The Board of Commissioners adopts the budget, makes appropriations, and declares the tax levy no later than June 30. Expenditure appropriations may not be legally over-expended, except in the case of grant receipts and bond sale proceeds which could not be reasonably estimated at the time the budget was adopted.

**Pooled Cash and Investments**

The Port maintains common cash and investment pools for all Port funds. All short-term, highly-liquid investments, including investments in the State Treasurer's Local Government Investment Pool (LGIP) where the remaining maturity at the time of purchase is one year or less are stated at amortized cost, which approximates fair value. The LGIP's policies provide minimum weighted average credit ratings for the LGIP's holdings: AA and As2 for Standard and Poor's and Moody's, respectively. On June 30, 2016, the LGIP's weighted average rating was between AA+/Aa1 and AA/Aa2 ratings. Earnings on pooled cash investments are allocated to each fund based on the balance of each participating fund.

All other investments are stated at fair value. Fair value is determined as the quoted market price if available, otherwise the fair value is estimated based on the amount at which the investment could be exchanged in a current transaction between willing parties. Pooled cash and investments have the general characteristics of a demand deposit account in that any participating fund may deposit additional cash at any time and may also withdraw cash at any time without prior notice or penalty.

**Cash and Cash Equivalents**

For financial statement purposes, the Port considers cash and cash equivalents to include cash on hand, demand deposits, and deposits in the Oregon State Treasurer's Local Government Investment Pool.

PORT OF ST. HELENS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2016

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Tenant Rent Receivables**

Tenant rent receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to tenant rent receivable.

**Capital Assets and Depreciation**

Capital assets include land and improvements, buildings, and equipment. In addition, certain capital assets purchased may be capitalized regardless of the thresholds established.

Such assets are reported at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are reported at estimated fair value at the date of donation.

The cost 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 capital assets and improvements are capitalized as projects are constructed.

Capital assets are depreciated using the straight-line method according to the following criteria:

<u>Asset Classification</u>	<u>Capitalization Threshold</u>	<u>Useful Life in Years</u>
Buildings	\$ 100,000	50
Improvements	100,000	20
Equipment and fixtures	10,000	5
Vehicles	20,000	5
Infrastructure	50,000	50 - 80

**Long-Term Obligations**

Long-term obligations are reported at face value, net of applicable discounts. Costs related to the issuance of debt are deferred and amortized over the lives of the various debt issues.

**Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires that management make estimates and assumptions which affect the reporting amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from estimates.



PORT OF ST. HELENS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2016

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial 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 apply to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial 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 apply to a future period and so will not be recognized as an inflow of resources (revenue) until then.

**Pension Retirement Plan**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Oregon Public Employees Retirement System (OPERS) and additions to/deductions from OPERS's fiduciary net position have been determined on the same basis as they are reported by OPERS. 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.

NOTE C – CASH AND INVESTMENTS

The Port's cash and investments are held in bank financial institutions and the Oregon State Local Government Investment Pool (LGIP).

The Port uses the LGIP for its temporary investments. The Port's share of the pool assets is always equal to its deposits plus accrued interest. As such, the Port is not subject to risk of valuation fluctuations in the value of the underlying assets within the pool. The fair value of the Port's position in the LGIP is the same as the value of the pool shares. Amounts on deposit with the Local Government Investment Pool are treated as cash, as the account can be accessed as needed. Cash and investments are comprised of the following at June 30, 2016:

<b>Deposits with financial institutions:</b>	
Demand deposits	\$ 190,443
State Treasurer's Investment Pool	<u>5,302,769</u>
Total	<u>\$ 5,493,212</u>
Reported in:	
Balance Sheet	
Cash and investments	\$ 5,252,745
Cash restricted for debt payments	<u>240,467</u>
Total	<u>\$ 5,493,212</u>

**PORT OF ST. HELENS**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2016**

**NOTE C – CASH AND INVESTMENTS (CONTINUED)**

**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 that limits investment maturities as a means of managing its exposure to fair-value losses arising from increases in interest rates. All investments are held in the LGIP.

**Credit Risk**

Credit risk is the risk that the issuer of an investment fails to fulfill its obligations. Average quality rates are not available for fixed income investments. Oregon statutes authorize the Port to invest in obligations of the U.S. Treasury and U.S. agencies, bankers' acceptances, repurchase agreements, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, and the State Treasurer's investment pool.

**Concentration of Credit Risk**

The Port does not have a formal policy that places a limit on the amount that may be invested with any one issuer. The Port's investments are 100% invested in the LGIP.

**Custodial Credit Risk – Deposits**

This is the risk that, in the event of a bank failure, the Port's deposits may not be returned. Deposits with financial institutions are comprised of bank demand deposits. The combined total bank balance is \$380,961. As required by Oregon Revised Statutes, deposits in excess of federal depository insurance were held at qualified depositories for public funds. All qualified depositories for public funds are included in the multiple financial institution collateral pool that is maintained by and in the name of the Office of the State Treasurer. As a result, the Port has no exposure to custodial credit risk for deposits with financial institutions.

**Custodial Credit Risk**

Custodial risk is the risk that, in the event of failure of the counterparty, the Port will not be able to recover the value of its investments that are in the possession of an outside party. As of June 30, 2016, all the Port's investments were held in the LGIP.

The LGIP is not registered with the U.S. Securities and Exchange Commission as an investment company. The State's investment policies are governed by the ORS and the Oregon Investment Council (Council). The State Treasurer is the investment officer for the Council and is responsible for all funds in the State Treasury. These funds are invested exercising reasonable care, skill and caution. Investments in the LGIP are further governed by portfolio guidelines issued by the Oregon Short-Term Fund Board, which establishes diversification percentages and specifies the types and maturities of investments. That portion of the external investment pool, which belongs to local government participants, is reported in an Investment Trust Fund in the State's Comprehensive Annual Financial Report. A copy of the State's Comprehensive Annual Financial Report may be obtained at the Oregon State Treasury, 350 Winter St. NE, Salem, OR 97310-0840.

The Port's position in the LGIP at June 30, 2016 is stated at cost, which approximates fair value.

**PORT OF ST. HELENS**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2016**

**NOTE D – RECEIVABLES**

**Summary**

Property taxes receivable	\$ 21,202
Tenant receivables	39,889
Allowance for uncollectible tenant rents	(70,000)
Tenant notes receivable	<u>526,015</u>
	<u>\$ 517,106</u>

**Property Taxes (Collection Procedures)**

Taxes are levied on July 1st and are payable in three installments due November 15, February 15, and May 15. Columbia County bills and collects property taxes for the Port.

**Ensuing Year's Levy**

The permanent tax rate is \$.0886 per \$1,000 of assessed value as limited by the Constitution of the State of Oregon.

The tax rate limit of \$10.00 per thousand of assessed value imposed by the Oregon Constitution is not expected to materially affect this levy.

**Receivables From Other Organizations**

The Port has entered into an intergovernmental agreement with the Columbia County Development Agency (CCDA). Under this agreement, the Port is responsible for design and construction of an industrial water system at the Port Westward Industrial Park. The CCDA has agreed to make payments for the Port on Oregon Business Development Department (OBDD) Loan #659-14-01 with tax incremental revenues collected from the Port Westward Urban Renewal Agency. As of June 30, 2016, the receivable from CCDA was \$8,203,698, including accrued interest. This amount is included as a receivable from other organizations on the Balance Sheet.

Additionally, the Port entered into an agreement with the CCDA to pledge tax increment funds from the Port Westward Urban Renewal District to pay the debt service on the OBDD Loan #659-15-01 if the amount of the payments received from users is insufficient to pay the debt service of the Loan. At present, Columbia Pacific Bio-Refinery is the only user of the rail. Additional users may be added with costs shared proportionately. As of June 30, 2016, the receivable from Columbia Pacific Bio-Refinery was \$2,368,413, including accrued interest. This amount is included as a receivable from other organizations on the Balance Sheet.

**PORT OF ST. HELENS**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2016**

**NOTE E – CAPITAL ASSETS**

The following table is a summary of capital assets:

	Balances June 30, 2015	Additions	Transfers/ Deletions	Balances June 30, 2016
Land	\$ 10,492,693	\$ 224,958	\$ -	\$ 10,717,651
Construction in process	444,121	640,975	(431,900)	653,196
Building and Land Improvements	41,770,356	7,458,915	431,900	49,661,171
Equipment	317,359	21,905	-	339,264
Total property and equipment	53,024,529	8,346,753	-	61,371,282
Less accumulated depreciation	(18,041,051)	(1,792,278)	-	(19,833,329)
Total capital assets, net	<u>\$ 34,983,478</u>	<u>\$ 6,554,475</u>	<u>\$ -</u>	<u>\$ 41,537,953</u>

**NOTE F – LIABILITY FOR COMPENSATED ABSENCES**

The Port has a sick leave policy, which permits full-time employees to accumulate unused sick leave at the rate of one day per month over their working careers. The Port does not compensate the employees for unused accumulations upon termination of employment. Accumulation is limited to 90 days.

Port employees can earn vacation at rates determined by their length of employment. Vacation leave is limited to a maximum accrual of 360 hours (9 weeks).

At June 30, 2016, the liability for vacation leave earned by all Port employees totaled \$83,398, including the employer's share of social security taxes and other payroll related costs.

**NOTE G – LONG-TERM OBLIGATIONS**

**Port Revolving Loan #152, Issued 04/15/2001 – Original Note: \$181,004**

The purpose of the issuance was to finance improvements at the Milton Creek Industrial Site, Note principal and interest payments are due semi-annually on January 15 and April 15, and the note matures on April 15, 2019. The issuance is secured by the related capital asset acquisitions and other Port capital assets.

**Port Revolving Loan #173, Issued 06/15/2002 – Original Note: \$220,246**

The purpose of the issuance was to finance a development project at the Scappoose Industrial Airpark. Note principal and interest payments are due quarterly on March 15, June 15, September 15, and December 15 and the note matures on March 1, 2022. The issuance is secured by the related capital asset acquisitions and other Port capital assets.

**PORT OF ST. HELENS**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2016**

**NOTE G – LONG-TERM OBLIGATIONS (CONTINUED)**

**OBDD #B95010-A, B and C, Issued 01/13/1995 – Original Notes: \$431,108, \$135,711, and \$233,200, Respectively**

The purpose of the issuance was to finance construction of the extension of water to Scappoose Industrial Airpark property. Note principal and interest payments are due annually on December 1. The A and B series notes mature on December 1, 2016. The C series note matures on December 1, 2017. The issuance is secured by the related capital asset acquisitions and other Port capital assets.

**IFA L12003, Issued 06/06/2015 – Original Note: \$1,300,000**

The purpose of the issuance was to finance the construction of a commercial building at the Scappoose Industrial Airpark. Note principal and interest payments are due annually on December 1 and the note matures on December 1, 2032. The issuance is secured by the related capital asset acquisitions and other Port capital assets.

**ColPac Loan #59-01-01, Issued 06/03/2015 – Original Note: \$100,000**

The purpose of the issuance was to finance the construction of an RV Park at the Scappoose Bay Marine Park. Note principal and interest payments are due monthly and the note matures on June 1, 2020. The issuance is secured by the related capital asset acquisitions and other Port capital assets.

**Revenue Bonds, 1996 Series B, Issued 04/01/96 – Original Issuance: \$1,000,000**

The purpose of the issuance was to refund the Port's 1995 Series C Bonds; to finance repairs to the Multnomah Industrial facility and the Columbia City facility. Note principal payments are due annually on March 1 and interest payments are due semi-annually on March 1 and September 1. The bonds matured in 2016.

**Revenue Bonds, 1999 Series, Issued 08/01/99 – Original Issuance: \$1,175,000**

The purpose of the issuance was to improve the industrial property of the Port to pay off and discharge Oregon Port Revolving Funds Loans. Note principal payments are due annually on August 1 and interest payments are due semi-annually on February 1 and August 1, with the bonds maturing in 2019. The bonds were redeemed in full June 30, 2016.

**OBDD Loan #659-14-01, Issued 01/13/95 – Original Note: \$8,668,500**

The purpose of the issuance was to finance construction of an industrial water system for the Port Westward property. Under an intergovernmental agreement, the note payments will be made by the Columbia County Development Agency with tax increment revenues. The final amortization of this loan was approved December 2015. Note principal and interest payments are due annually on June 1, and the note matures in 2032.

**PORT OF ST. HELENS**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

June 30, 2016

**NOTE G – LONG-TERM OBLIGATIONS (CONTINUED)**

**OBDD Loan #659-15-01, Issued 12/01/08 – Original Note: \$3,000,000**

The purpose of the issuance was to finance construction and rehabilitation of rail track at the Port Westward site forming the Port Westward Railroad System. Note principal and interest payments are due annually on December 1st and the note matures on December 1, 2032. The issuance is secured by the related capital asset acquisitions and other Port capital assets. The Port has entered into an agreement with users of the Rail to make the annual debt service payments. Currently Columbia Pacific Bio-Refinery is the only user. An intergovernmental agreement with Columbia County Development Agency (CCDA) provides that if there is insufficient revenue to make a debt service payment on the loan, CCDA has conditionally agreed to pay the deficiency. The major condition is the availability of tax increment revenue in any given year. If tax increment revenue is insufficient, the Port is obligated to pay the Rail Loan annual payment.

The Port entered into an agreement with Cascade Grain Products LLC (CGP) which requires users of the Port Lead Rail to make payments to the Port equal to the Port's scheduled payment of debt service on its OBDD Loan #659-15-01 (Rail Construction Loan) (principal amount \$3.0 million). CGP filed bankruptcy in 2009 and was purchased by Cascade Kelly LLC, who assumed all agreements and leases. Subsequently Global Partners, doing business as Columbia Pacific Bio-Refinery, has acquired the plant and assumed all agreements and leases.

Transactions for notes payable for the year ended June 30, 2016 were as follows:

<b>Notes Payable</b>	<u>Balance June 30, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2016</u>	<u>Due Within One Year</u>
<b>OBDD</b>					
#B95010-A, interest 5.33% Principal	\$ 66,682	\$ -	\$ 31,732	\$ 34,950	\$ 34,950
#B95010-B, interest 6% Principal	34,903	-	16,943	17,960	17,960
#B95010-C, interest 4.74% Principal	52,590	-	17,387	35,203	17,528
#152, interest 5% Principal	50,955	-	11,255	39,700	11,827
#173, interest 6% Principal	104,726	-	12,989	91,737	13,787
#L12003, interest 3.92% Principal	1,180,873	-	48,690	1,132,183	50,598
#59-01-01, interest 3.65% Principal	73,982	-	13,738	60,244	14,248
<b>Total notes payable</b>	<b><u>\$ 1,564,711</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 152,734</u></b>	<b><u>\$ 1,411,977</u></b>	<b><u>\$ 160,898</u></b>

PORT OF ST. HELENS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2016

NOTE G – LONG-TERM OBLIGATIONS (CONTINUED)

Transactions for revenue bonds payable for the year ended June 30, 2016 were as follows:

<b>Revenue Bonds Payable</b>	<u>Balance June 30, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2016</u>	<u>Due Within One Year</u>
Series 1996B, interest from 5-6.25%, principal	\$ 80,000	\$ -	\$ 80,000	\$ -	\$ -
Series 1999, interest from 4-5.75%, principal	<u>425,000</u>	<u>-</u>	<u>425,000</u>	<u>-</u>	<u>-</u>
<b>Total revenue bonds payable</b>	<b><u>\$ 505,000</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 505,000</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>

Transactions for assessment debt for the year ended June 30, 2016 were as follows:

<b>Assessment Debt</b>	<u>Balance June 30, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2016</u>	<u>Due Within One Year</u>
OBDD #659-14-01, interest at 5%, principal	\$ 8,533,955	\$ -	\$ 330,257	\$ 8,203,698	\$ 346,770
OBDD #659-15-01, interest at 5.79%, principal	<u>2,456,216</u>	<u>-</u>	<u>87,803</u>	<u>2,368,413</u>	<u>92,887</u>
<b>Total assessment debt</b>	<b><u>\$ 10,990,171</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 418,060</u></b>	<b><u>\$ 10,572,111</u></b>	<b><u>\$ 439,657</u></b>

Total long-term obligations for the year ended June 30, 2016 were as follows:

<b>Long-Term Obligations</b>	<u>Balance June 30, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2016</u>	<u>Due Within One Year</u>
Total notes payable	\$ 1,564,711	\$ -	\$ 152,734	\$ 1,411,977	\$ 160,898
Total revenue bonds payable	505,000	-	505,000	-	-
Total assessment debt	<u>10,990,171</u>	<u>-</u>	<u>418,060</u>	<u>10,572,111</u>	<u>439,657</u>
<b>Total long-term obligations</b>	<b><u>\$ 13,059,882</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 1,075,794</u></b>	<b><u>\$ 11,984,088</u></b>	<b><u>\$ 600,555</u></b>

PORT OF ST. HELENS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2016

NOTE G – LONG-TERM OBLIGATIONS (CONTINUED)

Future maturities of notes payable as of June 30, 2016 were as follows:

Year Ended June 30,	OBDD #B95010-A		OBDD #B95010-B		OBDD #B95010-C	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	34,950	1,923	17,960	1,078	17,528	1,761
2018	-	-	-	-	17,675	884
2019	-	-	-	-	-	-
	<u>\$ 34,950</u>	<u>\$ 1,923</u>	<u>\$ 17,960</u>	<u>\$ 1,078</u>	<u>\$ 35,203</u>	<u>\$ 2,645</u>

Year Ended June 30,	OBDD #152		OBDD #173		OBDD #659-14-01	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	11,828	1,765	13,786	5,198	346,770	410,185
2018	12,431	1,163	14,632	4,352	364,108	392,846
2019	13,064	529	15,530	3,454	382,313	374,641
2020	2,377	29	16,483	2,501	401,429	355,525
2021	-	-	31,306	1,905	421,501	335,454
2022-26	-	-	-	-	2,445,510	1,339,263
2027-31	-	-	-	-	3,121,159	663,613
2032-36	-	-	-	-	720,908	36,045
	<u>\$ 39,700</u>	<u>\$ 3,486</u>	<u>\$ 91,737</u>	<u>\$ 17,410</u>	<u>\$ 8,203,698</u>	<u>\$ 3,907,572</u>

Year Ended June 30,	OBDD #659-15-01		OBDD #L12003		CPLPAC #59-01-01		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2017	92,887	137,131	50,598	44,382	14,248	2,472	600,555	605,895
2018	98,265	131,753	52,582	42,398	14,777	1,962	574,470	575,358
2019	103,955	126,063	54,643	40,337	15,325	1,433	584,830	546,457
2020	109,974	120,044	56,785	38,195	15,894	885	602,942	517,179
2021	116,341	113,677	59,011	35,969	-	316	628,159	487,321
2022-26	853,973	526,135	405,944	163,936	-	-	3,705,427	2,029,334
2027-31	993,018	183,058	452,620	58,597	-	-	4,566,797	905,268
2032-36	-	-	-	-	-	-	720,908	36,045
	<u>\$ 2,368,413</u>	<u>\$ 1,337,861</u>	<u>\$ 1,132,183</u>	<u>\$ 423,814</u>	<u>\$ 60,244</u>	<u>\$ 7,068</u>	<u>\$ 11,984,088</u>	<u>\$ 5,702,857</u>



**PORT OF ST. HELENS**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2016**

**NOTE G – LONG-TERM OBLIGATIONS (CONTINUED)**

**Pledged Revenues**

The Port issues bonds where the government pledges gross revenues, less necessary costs of maintenance and operation of the Port's facilities. Gross revenues are defined as total income and revenue of the Port except proceeds from borrowings, tax receipts, and other income and revenues separately pledged. The amount of the pledge is equal to the remaining principal and interest requirements of the secured debt and the commitment is the full period in which the debt remains outstanding. In addition, the pledged amount of operating revenue is equal to the total operating revenue stream. The Port issues these bonds backed solely by future revenues received. The total principal and interest for the fiscal year ended June 30, 2016 was \$532,281.

**Restrictive Covenants**

The bond indenture related to all of the revenue bond issues contains a covenant that the Port will maintain the collection of rentals, tariffs, rates and charges in the connection of all of the Port's business to produce adjusted gross revenues in an amount equal to at least 1.25 times the current annual debt service requirement. At June 30, 2016, the Port was in compliance with this covenant.

**NOTE H – CONDUIT DEBT OBLIGATIONS**

From time to time, the Port has issued Industrial Revenue Bonds to provide financial assistance to private sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the Port nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of June 30, 2016, there was one series of Industrial Revenues Bonds outstanding totaling \$7,750,000.

**NOTE I – PENSION RETIREMENT PLAN**

**Defined Benefit Pension Plan**

***General Information about the Pension Plan:***

*Name of the pension plan:* The Oregon Public Employees Retirement System (OPERS) is a cost-sharing multiple-employer defined benefit plan.

PORT OF ST. HELENS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2016

NOTE I – PENSION RETIREMENT PLAN (CONTINUED)

*Plan description.* Employees of the Port are provided with pensions through OPERS. All the benefits of OPERS are established by the Oregon legislature pursuant to Oregon Revised Statute (ORS) Chapters 238 and 238A. The ORS Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003. OPERS issues a publicly available financial report that can be obtained at:

[http://www.oregon.gov/pers/Pages/section/financial\\_reports/financials.aspx](http://www.oregon.gov/pers/Pages/section/financial_reports/financials.aspx)

*Benefits provided under Chapter 238-Tier One / Tier Two*

1. *Pension Benefits.* The ORS 238 Defined Benefit Pension Plan provides benefits to members hired *before* August 29, 2003.

The OPERS retirement benefit is payable monthly for life to covered members upon reaching the minimum retirement age. 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 (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 benefit results.

A member is considered vested and will be eligible at minimum retirement age for a service retirement allowance if he or she has had a contribution in each of five calendar years or has reached at least 50 years of age before ceasing employment with a participating employer. General service employees may retire after reaching age 55. Tier One general service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service. Tier Two members are eligible for full benefits at age 60.

2. *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 one or more of the following conditions are met:

- Member was employed by a OPERS employer at the time of death,
- Member died within 120 days after termination of OPERS-covered employment,
- Member died as a result of injury sustained while employed in a OPERS-covered job, or
- Member was on an official leave of absence from a OPERS-covered job at the time of death.

3. *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 for disability benefits regardless of the length of OPERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 when determining the monthly benefit.

PORT OF ST. HELENS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2016

NOTE I – PENSION RETIREMENT PLAN (CONTINUED)

4. *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 of equity investments.

Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes.

*Benefits provided under Chapter 238A-OPSRP Pension Program (OPSRP DB).*

1. *Pension Benefits.* The ORS 238A Defined Benefit Pension Program provides benefits to members hired on or after August 29, 2003.

This portion of the OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age:

*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 OPSRP 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.

2. *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.
3. *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.
4. *Benefit Changes after Retirement.* Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes.

*Contributions:*

OPERS 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. This 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, as subsequently modified by 2013 legislated changes in benefit provisions. The rates based on a percentage of payroll, first became effective July 1, 2013. The state of Oregon and certain schools, community colleges, and political subdivisions have made lump sum payments to establish side accounts, and their rates have been reduced. The Port has not established any such side accounts.

**PORT OF ST. HELENS**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2016**

**NOTE I – PENSION RETIREMENT PLAN (CONTINUED)**

Employer contributions for the year ended June 30, 2016 were \$57,728, excluding amounts to fund employer specific liabilities. The rates in effect for the fiscal year ended June 30, 2016 were: (1) Tier1/Tier 2 – 8.60 %, and (2) OPSRP general service – 5.39 %.

***Actuarial Valuations:***

The employer contribution rates effective July 1, 2013, through June 30, 2016, were set using the projected unit credit 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 (the estimated amount necessary to finance benefits earned by the employees during the current service year), (2) 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 20 years. For the OPSRP Pension Program component of the PERS Defined Benefit Plan, this method produced an employer contribution 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 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	2013, published September 18, 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
Actuarial Assumptions:	
Inflation Rate	2.75 percent
Investment Rate of Return	7.75 percent
Projected Salary Increases	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.
Mortality	<p>Healthy retirees and beneficiaries:</p> <p>RP-2000 Sex-distinct, generational per Scale AA, with collar adjustments and set-backs as described in the valuation.</p> <p>Active members:</p> <p>Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation.</p> <p>Disabled retirees:</p> <p>Mortality rates are a percentage (65% for males, 90% for females) of the RP-2000 static combined disabled mortality sex-distinct table.</p>

**PORT OF ST. HELENS**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2016**

**NOTE I – PENSION RETIREMENT PLAN (CONTINUED)**

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits 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 methods and assumptions shown above are based on the 2014 Experience Study which reviewed experience for the four-year period ending on December 31, 2014.

*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 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.

*Assumed Asset Allocation:*

<b>Asset Class/Strategy</b>	<b>Low Range</b>		<b>High Range</b>		<b>OIC Target</b>	
Cash	0.0	%	3.0	%	0.0	%
Debt Securities	15.0		25.0		20.0	
Public Equity	32.5		42.5		37.5	
Private Equity	16.0		24.0		20.0	
Real Estate	9.5		15.5		12.5	
Alternative Equity	0.0		10.0		10.0	
Opportunity Portfolio	0.0		3.0		0.0	
Total					100.0	%

*Long-Term Expected Rate of Return:*

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2013 the PERS Board reviewed long-term assumptions developed by both the actuary’s capital market assumptions team and the Oregon Investment Council’s (OIC) investment advisors. The table below shows the actuary’s assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation. The OIC’s description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

**PORT OF ST. HELENS**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

June 30, 2016

**NOTE I – PENSION RETIREMENT PLAN (CONTINUED)**

Asset Class	Target	Compound Annual Return (Geometric)
Core Fixed Income	7.20%	4.50%
Short-Term Bonds	8	3.7
Intermediate-Term Bonds	3	4.1
High Yield Bonds	1.8	6.66
Large Cap US Equities	11.65	7.2
Mid Cap US Equities	3.88	7.3
Small Cap US Equities	2.27	7.45
Developed Foreign Equities	14.21	6.9
Emerging Foreign Equities	5.49	7.4
Private Equity	20	8.26
Opportunity Funds/Absolute Return	5	6.01
Real Estate (Property)	13.75	6.51
Real Estate (REITS)	2.5	6.76
Commodities	7.71	6.07
Assumed Inflation – Mean		2.75

*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) asset 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>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
	<u>(6.75%)</u>	<u>(7.75%)</u>	<u>(8.75%)</u>
Proportionate share of the net pension (liability)/asset	\$ (539,905)	\$ (223,706)	\$ 42,768

*Pension plan fiduciary net position*

Detailed information about the pension plan's fiduciary net position is available in the separately issued OPERS financial report.

PORT OF ST. HELENS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2016

NOTE I – PENSION RETIREMENT PLAN (CONTINUED)

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:***

At June 30, 2016, the Port reported a liability of \$223,706 for its proportionate share of the net pension asset. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013 and rolled forward to June 30, 2015. The Port's proportion of the net pension asset was based on the Port's projected long-term contribution effort as compared to the total projected long-term contribution effort of all employers.

Rates of every employer have at least two major components:

1. Normal Cost Rate: The economic value, stated as a percent of payroll, for the portion of each active member's total projected retirement benefit that is allocated to the upcoming year of service. The rate is in effect for as long as each member continues in OPERS-covered employment. The current value of all projected future Normal Cost Rate contributions is the Present Value of Future Normal Costs (PVFNC). The PVFNC represents the portion of the projected long-term contribution effort related to future service.
2. UAL Rate: If system assets are less than the actuarial liability, an Unfunded Actuarial Liability (UAL) exists. UAL can arise in a biennium when an event such as experience differing from the assumptions used in the actuarial valuation occurs. An amortization schedule is established to eliminate the UAL that arises in a given biennium over a fixed period of time if future experience follows assumption. The UAL Rate is the upcoming year's component of the cumulative amortization schedules, stated as a percent of payroll. The present value of all projected UAL Rate contributions is simply the Unfunded Actuarial Liability (UAL) itself. The UAL represents the portion of the projected long-term contribution effort related to past service.

An employer's PVFNC depends on both the normal cost rates charged on the employer's payrolls, and on the underlying demographics of the respective payrolls. For OPERS funding, employers have up to three different payrolls, each with a different normal cost rate: (1) Tier 1/Tier 2 payroll, (2) OPSRP general service payroll, and (3) OPSRP police and fire payroll.

Analyzing both rate components, the projected long-term contribution effort is simply the sum of the PVFNC and UAL. The PVFNC part of the contribution effort pays for the value of future service while the UAL part of the contribution effort pays for the value of past service not already funded by accumulated contributions and investment earnings. Each of the two contribution effort components are calculated at the employer-specific level. The sum of these components across all employers is the total projected long-term contribution effort.

At June 30, 2015, the Port's proportion was 0.00389632 percent, which changed from its proportion measured as of June 30, 2014 of 0.00408633 percent.

**PORT OF ST. HELENS**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2016**

**NOTE I – PENSION RETIREMENT PLAN (CONTINUED)**

For the year ended June 30, 2016, the Port recognized pension expense of \$220,191. At June 30, 2016, the Port reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between expected and actual experience	\$ 12,063	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on investments	-	(46,894)
Changes in proportionate share	-	(3,263)
Differences between employer contributions and proportionate share of contributions	<u>2,652</u>	<u>-</u>
Total (prior to post-measurement date contributions)	14,715	(50,157)
Contributions made subsequent to measurement date	<u>TBD</u>	<u>N/A</u>
Net Deferred Outflow/(Inflow) of Resources	\$ <u>14,715</u>	\$ <u>(50,157)</u>

Deferred outflows of resources related to pensions resulting from Port contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year subsequent to June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Employer subsequent fiscal years</u>	<u>Deferred Outflow/(Inflow) of Resources (prior to post- measurement date contributions)</u>
2017	\$ (19,643)
2018	(19,643)
2019	(19,643)
2020	22,680
2021	807
Thereafter	<u>-</u>
Total	\$ <u>(35,442)</u>



**PORT OF ST. HELENS**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2016**

**NOTE I – PENSION RETIREMENT PLAN (CONTINUED)**

***Changes in Plan Provisions Subsequent to Measurement Date:***

There were no changes in Plan provisions subsequent to the June 30, 2015 measurement date.

***Changes in Assumptions:***

A summary of key changes implemented since the December 31, 2013 valuation are described briefly below. Additional detail and a comprehensive list of changes in methods and assumptions can be found in the 2014 Experience Study for the System, which was published in September 2015.

***Changes in Benefit Terms***

The Oregon Supreme Court on April 30, 2015, ruled that the provisions of Senate Bill 861, signed into law in October 2013, that limited the post retirement cost-of-living-adjustment (“COLA”) on benefits accrued prior to the signing of the law was unconstitutional. Benefits could be modified prospectively, but not retrospectively. As a result, those who retired before the bills were passed will continue to receive a COLA tied to the Consumer Price Index that normally results in a 2% increase annually. OPERS will make restoration payments to those benefit recipients.

PERS members who have accrued benefits before and after the effective dates of the 2013 legislation will have a blended COLA rate when they retire.

**Defined Contribution Plan**

**OPSRP Individual Account Program (OPSRP IAP)**

**Pension Benefits**

Participants in OPERS defined benefit pension plans also participate in the OPSRP Individual Account Program (IAP), a defined contribution pension plan. An IAP member becomes vested on the date the employee account is established or on the date the rollover account was established. If the employer makes optional employer contributions for a member, the member 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, the date the IAP is terminated, the date the active member becomes disabled, or the date the active member dies.

Upon retirement, a member of the OPSRP Individual Account Program (IAP) may receive the amounts in his or her employee account, rollover account, and vested employer account as a lump-sum payment or in equal installments over a 5-, 10-, 15-, 20-year period or an anticipated life span option. Each distribution option has a \$200 minimum distribution limit.

**PORT OF ST. HELENS**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2016**

**NOTE I – PENSION RETIREMENT PLAN (CONTINUED)**

**Death Benefits**

Upon the death of a non-retired member, the beneficiary receives in a lump sum the member's account balance, rollover account balance, and vested employer optional contribution account balance. If a retired member dies before the installment payments are completed, the beneficiary may receive the remaining installment payments or choose a lump-sum payment.

**Contributions**

The Port has chosen to pay the employees' contributions to the plan. Six percent of covered payroll is paid for general service employees. For fiscal year 2016 the Port paid \$55,773. OPERS contracts with VOYA Financial to maintain IAP participant records.

**NOTE J – RISK MANAGEMENT**

The Port is exposed to various risks of loss related to: theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. The Port purchases commercial insurance to minimize its exposure to these risks. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any part of the past three fiscal years.

**NOTE K – COMMITMENTS AND CONTINGENCIES**

**Sick Leave**

Portions of amounts accumulated at any point in time can be expected to be redeemed before termination of employment; however, such redemptions cannot be reasonably estimated. As of June 30, 2016, employees of the Port had accumulated 553 days of sick leave. It is the Port's policy to not pay unused sick leave upon departure.

**Environmental**

Property owned by the Port located in St. Helens, Oregon was added to the Confirmed Release List, by the Oregon Department of Environmental Quality (DEQ) in 1994. The property is contaminated with chemicals used in treating wood products (primarily creosote). There are no tenants that originally occupied the property still in existence. In 2007 a draft Feasibility Study was presented to the DEQ; this study reported that remediation for the property is estimated to be \$5.1 million. In 2008 after additional remedies were required by DEQ, the estimated amount to remediate the site has been increased to \$8.5 million. Under Oregon Clean-up Law former tenant Pope & Talbot was primarily responsible for the remediation. In October of 2007, Pope & Talbot filed for bankruptcy protection in Canada. In November of 2007, Pope & Talbot filed for Chapter 11 protection in the United States. On May 9, 2008 a motion was filed converting Pope & Talbot bankruptcy to Chapter 7 liquidation. As current property owner and cosigner of the Consent Order, DEQ is now looking to the Port for the cleanup obligation. A draft supplemental remedial investigation report was submitted to DEQ in May 2016.

**PORT OF ST. HELENS**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

June 30, 2016

**NOTE K – COMMITMENTS AND CONTINGENCIES (CONTINUED)**

**Environmental (Continued)**

The DEQ has provided comments on this draft report (March and September 2016) which require further negotiation and potentially further investigation before the Port will finalize the report – an expected completion of December 31, 2016. This step will be followed by a feasibility study expected in August 2017. The Port and the DEQ are in discussions to determine the extent of the Port's obligation and ability to pay for the investigation, cleanup and monitoring costs. The costs and ultimate liability of the Port, if any, cannot be determined until the remedial investigation and feasibility study are completed. The Port has identified insurance coverage, which has been covering the costs associated with the remedial investigation and feasibility study phases.

**NOTE L – OPERATING LEASE**

The Port leases submerged and submersible land under five separate agreements with the Oregon State Land Board and Department of State Lands, the last expiring Mary 31, 2030. The lease terms require an annual rental payment due on the lease anniversary date each year, subject to adjustment in accordance with the provisions of OAR 141-082-011. The agreements may also be renewed for unlimited successive 15-year terms. The amount of lease expense recognized for the year ended June 30, 2016 was \$21,316.

Future minimum lease payments required under the agreement are as follows:

Year Ending June 30,		
2017	\$	22,295
2018		17,649
2019		17,649
2020		1,857
2021		1,857
Thereafter		15,687
	\$	76,994

**NOTE M – CONCENTRATION OF OPERATING REVENUES**

The Port received 67% of total tenant rents from ten (10) tenants during the year ended June 30, 2016.

**PORT OF ST. HELENS**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2016**

**NOTE N – FUTURE NON-CANCELABLE LEASES**

The Port leases real property, buildings and equipment to tenants under non-cancelable operating leases. The cost and carrying amount of the leased assets at June 30, 2016 are as follows:

	Cost	Accumulated Depreciation	Carrying Amount
Land	\$ 10,717,651	\$ -	\$ 10,717,651
Building and land improvements	49,661,172	19,518,529	30,142,643
Equipment	339,264	314,802	24,462
	\$ 60,718,087	\$ 19,833,331	\$ 40,884,756

Future amounts due under non-cancelable operating leases are as follows:

Year ending June 30,			
2017		\$	1,540,184
2018			1,237,608
2019			1,177,476
2020			1,325,778
2021			1,419,828
2022-2026			5,395,920
2027-2031			4,357,037
2031-2098			40,129,216
		\$	56,583,047

**NOTE O – POST EMPLOYMENT BENEFITS**

The Port participates in the health insurance pool of the Special Districts Association of Oregon for dental benefits and MODA for medical benefits, an agent multiple-employer plan as defined by GASB 45. If an employer participates in a community rated agent multiple-employer plan and that employer is too small to affect the total health claims experience of the entire plan, then GASB 45 allows the actuary to use blended health premiums for purposes of projecting benefits rather than age-adjusted premiums. Accordingly, the actuary has determined that there was no implicit rate subsidy to be recognized by the Port under GASB 45.

**REQUIRED SUPPLEMENTARY INFORMATION**

**PORT OF ST. HELENS**

**SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION – PENSION INFORMATION**

**SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM**

Last 10 Fiscal Years\*

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Proportion of the net pension liability (asset)	0.00389632%	0.00408633%	0.00408633%	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Proportionate share of the net pension liability (asset)	\$ 223,706	\$ (92,625)	\$ 208,531	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Covered-employee payroll	740,374	737,966	703,056	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-30.2%	12.6%	-29.7%	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	91.9%	103.6%	92.0%	N/A	N/A	N/A	N/A	N/A	N/A	N/A

**SCHEDULE OF CONTRIBUTIONS  
OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM**

Last 10 Fiscal Years\*

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Contractually required contribution	\$ 43,766	\$ 37,716	\$ 88,670	\$ 102,858	\$ 91,691	\$ 81,586	\$ 33,329	\$ 46,958	\$ 65,684	\$ 54,987
Contributions in relation to the contractually required contribution	<u>43,901</u>	<u>41,680</u>	<u>88,670</u>	<u>102,858</u>	<u>91,691</u>	<u>81,586</u>	<u>33,329</u>	<u>46,958</u>	<u>65,684</u>	<u>54,987</u>
Contribution deficiency (excess)	\$ <u>(135)</u>	\$ <u>(3,964)</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Covered-employee payroll	\$ 740,374	\$ 737,966	\$ 703,056	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Contributions as a percentage of covered-employee payroll	5.9%	5.6%	12.6%	N/A	N/A	N/A	N/A	N/A	N/A	N/A

\* GASB # 68 requires ten-year trend information. However, until a full ten-year trend is established, only the information for the years available is presented.

The accompanying notes and independent auditors' report should be read with the supplemental schedules.

**PORT OF ST. HELENS**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**For the Year Ended June 30, 2016**

**Changes in Benefit Terms:**

The Oregon Supreme Court Decision in *Moro v. State of Oregon* (issued on April 30, 2015) occurred after the December 31, 2013 valuation date but affected the plan provisions reflected for financial reporting purposes. The *Moro* decision modified the COLA-related changes of Senate Bills 822 and 861, creating a blended COLA for members who earned service both before and after the effective dates of this legislation.

Due to the timing of the Supreme Court decision, the COLA change due to *Moro* is reflected in the June 30, 2015 Total Pension Liability. To reflect the *Moro* decision, the actuary estimated the blended COLA based on creditable service before and after the effective dates of the legislation. This approach is consistent with the OAR 495-005-0510, adopted by the PERS Board in September 2015.

**Changes in Assumptions:**

Actuarial assumptions and other changes are described in the notes to the accompanying financial statements.

**SUPPLEMENTAL INFORMATION**



PORT OF ST. HELENS

COMBINING SCHEDULE OF ASSETS, LIABILITIES AND NET POSITION

June 30, 2016

ASSETS

	General Fund	Revenue Fund	Bond Fund	Capital Improvement Fund	Total Enterprise Funds
<b>Current assets</b>					
Cash and investments	\$ 3,271,252	\$ 571,499	\$ 31,965	\$ 1,378,029	\$ 5,252,745
Cash restricted for debt payments	240,467	-	-	-	240,467
Receivables, net of allowances	21,202	495,904	-	-	517,106
Prepaid expenses	27,757	-	-	-	27,757
Due to/from other funds	816,525	(816,525)	-	-	-
<b>Total current assets</b>	<b>4,377,203</b>	<b>250,878</b>	<b>31,965</b>	<b>1,378,029</b>	<b>6,038,075</b>
<b>Noncurrent assets</b>					
Capital assets					
Depreciable capital assets	50,000,435	-	-	-	50,000,435
Non depreciable capital assets	11,370,847	-	-	-	11,370,847
Accumulated depreciation	(19,833,329)	-	-	-	(19,833,329)
Capital assets, net	41,537,953	-	-	-	41,537,953
Receivables from other organizations	10,606,293	-	-	-	10,606,293
<b>Total noncurrent assets</b>	<b>52,144,246</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>52,144,246</b>
<b>Deferred outflows of resources</b>	<b>14,715</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>14,715</b>
<b>Total assets and deferred outflows</b>	<b>\$ 56,536,164</b>	<b>\$ 250,878</b>	<b>\$ 31,965</b>	<b>\$ 1,378,029</b>	<b>\$ 58,197,036</b>

LIABILITIES AND NET POSITION

<b>Current liabilities</b>					
Accounts payable	\$ 112,409	\$ -	\$ -	\$ 1,189,303	\$ 1,301,712
Accrued interest payable	143,484	-	-	-	143,484
Compensated absences	83,398	-	-	-	83,398
Deferred revenue	-	153,410	-	-	153,410
Deposits	240,877	97,468	-	-	338,345
Notes payable and assessment debt - current	600,555	-	-	-	600,555
<b>Total current liabilities</b>	<b>1,180,723</b>	<b>250,878</b>	<b>-</b>	<b>1,189,303</b>	<b>2,620,904</b>
<b>Noncurrent liabilities</b>					
Notes payable	1,251,079	-	-	-	1,251,079
Bonds payable	-	-	-	-	-
Special assessment debt with commitment	10,132,454	-	-	-	10,132,454
Net pension liability	223,706	-	-	-	223,706
<b>Total noncurrent liabilities</b>	<b>11,607,239</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11,607,239</b>
<b>Deferred inflows of resources</b>	<b>50,157</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>50,157</b>
<b>Net position</b>					
Investment in capital assets net of related debt	29,553,865	-	-	-	29,553,865
Unrestricted	13,903,713	-	31,965	188,726	14,124,404
Restricted for debt payments	240,467	-	-	-	240,467
<b>Total net position</b>	<b>43,698,045</b>	<b>-</b>	<b>31,965</b>	<b>188,726</b>	<b>43,918,736</b>
<b>Total liabilities, deferred inflows, and net position</b>	<b>\$ 56,536,164</b>	<b>\$ 250,878</b>	<b>\$ 31,965</b>	<b>\$ 1,378,029</b>	<b>\$ 58,197,036</b>

The accompanying notes and independent auditors' report should be read with the supplemental schedules.

PORT OF ST. HELENS

COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Year Ended June 30, 2016

	General Fund	Revenue Fund	Bond Fund	Capital Improvement Fund	Total Enterprise Funds
<b>Operating revenues</b>					
Tenant rents	\$ -	\$ 3,165,998	\$ -	\$ -	\$ 3,165,998
Taxes and assessments	334,990	-	-	-	334,990
Miscellaneous	28,180	-	-	-	28,180
Management fees	-	15,500	-	-	15,500
<b>Total operating revenues</b>	<b>363,170</b>	<b>3,181,498</b>	<b>-</b>	<b>-</b>	<b>3,544,668</b>
<b>Operating expenses</b>					
Personnel services	1,508,951	-	-	-	1,508,951
Materials and services	1,280,543	-	-	106,640	1,387,183
Depreciation	1,792,278	-	-	-	1,792,278
<b>Total operating expenses</b>	<b>4,581,772</b>	<b>-</b>	<b>-</b>	<b>106,640</b>	<b>4,688,412</b>
<b>Operating income (loss)</b>	<b>(4,218,602)</b>	<b>3,181,498</b>	<b>-</b>	<b>(106,640)</b>	<b>(1,143,744)</b>
<b>Non-operating revenues (expenses)</b>					
Grants and reimbursements	3,775	-	-	5,187,616	5,191,391
Interest income	172,939	-	1,076	1,042	175,057
Interest expense	(628,054)	-	(15,432)	-	(643,486)
Intergovernmental income	426,698	-	-	-	426,698
Loss on Disposal	-	-	-	-	-
Amortized bond issuance cost	(18,492)	-	-	-	(18,492)
<b>Total non-operating revenues (expenses)</b>	<b>(43,134)</b>	<b>-</b>	<b>(14,356)</b>	<b>5,188,658</b>	<b>5,131,168</b>
<b>Income (loss) before transfers and other changes in net losses</b>	<b>(4,261,736)</b>	<b>3,181,498</b>	<b>(14,356)</b>	<b>5,082,018</b>	<b>3,987,424</b>
Transfer from other funds	3,189,884	-	26,609	2,745,724	5,962,217
Transfer to other funds	(2,780,719)	(3,181,498)	-	-	(5,962,217)
Capitalized assets expended in other fund	8,346,754	-	-	(8,346,754)	-
Debt redemption expended in other fund	505,000	-	(505,000)	-	-
<b>Change in net position</b>	<b>4,999,183</b>	<b>-</b>	<b>(492,747)</b>	<b>(519,012)</b>	<b>3,987,424</b>
Net position, beginning of year	38,698,862	-	524,712	707,738	39,931,312
<b>Net position, end of year</b>	<b>\$ 43,698,045</b>	<b>\$ -</b>	<b>\$ 31,965</b>	<b>\$ 188,726</b>	<b>\$ 43,918,736</b>

The accompanying notes and independent auditors' report should be read with the supplemental schedules.

**PORT OF ST. HELENS**  
**COMBINING SCHEDULE OF CASH FLOWS**

**Year Ended June 30, 2016**

	General Fund	Revenue Fund	Bond Fund	Capital Improvement Fund	Total Enterprise Funds
<b>Cash flows from operating activities:</b>					
Cash received from tenants	\$ -	\$ 3,766,056	\$ -	\$ -	\$ 3,766,056
Cash received from property taxes	334,990	-	-	-	334,990
Other cash received	28,182	15,500	-	22,130	65,812
Payments to vendors	(1,271,683)	-	-	1,074,813	(196,870)
Payments to employees	(1,289,502)	-	-	-	(1,289,502)
<b>Net cash provided by (used in) operating activities</b>	<b>(2,198,013)</b>	<b>3,781,556</b>	<b>-</b>	<b>1,096,943</b>	<b>2,680,486</b>
<b>Cash flows from investing activities:</b>					
Interest income	<b>172,939</b>	<b>-</b>	<b>1,076</b>	<b>1,042</b>	<b>175,057</b>
<b>Cash flows from noncapital financing activities:</b>					
Grant proceeds	3,775	-	-	5,187,616	5,191,391
Transfers from other funds	2,373,359	816,525	26,609	2,745,724	5,962,217
Transfers to other funds	(2,780,719)	(3,181,498)	-	-	(5,962,217)
<b>Net cash provided by (used in) noncapital financing activities</b>	<b>(403,585)</b>	<b>(2,364,973)</b>	<b>26,609</b>	<b>7,933,340</b>	<b>5,191,391</b>
<b>Cash flows from capital and related financing activities:</b>					
Property and equipment (additions) deletions	-	-	-	(8,354,604)	(8,354,604)
Receipts from other organizations	419,436	-	-	-	419,436
Payments on notes and bonds payable	(570,794)	-	(505,000)	-	(1,075,794)
Interest paid	(236,836)	-	(27,281)	-	(264,117)
<b>Net cash provided by (used in) capital and related financing activities</b>	<b>(388,194)</b>	<b>-</b>	<b>(532,281)</b>	<b>(8,354,604)</b>	<b>(9,275,079)</b>
<b>Change in cash and cash equivalents</b>	<b>(2,816,853)</b>	<b>1,416,583</b>	<b>(504,596)</b>	<b>676,721</b>	<b>(1,228,145)</b>
Cash and cash equivalents, beginning of year	6,328,572	(845,084)	536,561	701,308	6,721,357
<b>Cash and cash equivalents, end of year</b>	<b>\$ 3,511,719</b>	<b>\$ 571,499</b>	<b>\$ 31,965</b>	<b>\$ 1,378,029</b>	<b>\$ 5,493,212</b>
<b>Reported in the Balance Sheet as:</b>					
Unrestricted	\$ 3,271,252	\$ 571,499	\$ 31,965	\$ 1,378,029	\$ 5,252,745
Restricted	240,467	-	-	-	240,467
<b>Total</b>	<b>\$ 3,511,719</b>	<b>\$ 571,499</b>	<b>\$ 31,965</b>	<b>\$ 1,378,029</b>	<b>\$ 5,493,212</b>
<b>Reconciliation of operating income (loss) to cash provided by(used in) operating activities:</b>					
Operating income (loss)	\$ (4,218,602)	\$ 3,181,498	\$ -	\$ (106,640)	\$ (1,143,744)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities					
Depreciation and amortization	1,792,278	-	-	-	1,792,278
Net pension obligation	219,449	-	-	-	219,449
(Increase) decrease in current assets:					
Operating receivables	1,529	600,058	-	14,280	615,867
Increase (decrease) in current liabilities					
Accounts payable and compensated absences	5,849	-	-	1,189,303	1,195,152
Deferred revenue and deposits	1,484	-	-	-	1,484
<b>Net cash provided by (used in) operating activities</b>	<b>\$ (2,198,013)</b>	<b>\$ 3,781,556</b>	<b>\$ -</b>	<b>\$ 1,096,943</b>	<b>\$ 2,680,486</b>
<b>Supplemental disclosure of non-cash investing and financing activities:</b>					
Passed through interest income from other government	\$ 426,698	\$ -	\$ -	\$ -	\$ 426,698
Passed through interest expense from other government	\$ 426,698	\$ -	\$ -	\$ -	\$ 426,698

The accompanying notes and independent auditors' report should be read with the supplemental schedules.

PORT OF ST. HELENS

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE -  
BUDGET TO ACTUAL - GENERAL FUND

Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable) Final to Actual
<b>Revenues</b>				
Taxes and assessments	\$ 326,329	\$ 326,329	\$ 334,990	\$ 8,661
Interest income	20,000	20,000	172,939	152,939
Intergovernmental income	-	-	426,698	426,698
Grants	3,500	3,500	3,775	275
Miscellaneous	1,000	1,000	28,180	27,180
<b>Total revenues</b>	<b>350,829</b>	<b>350,829</b>	<b>966,582</b>	<b>615,753</b>
<b>Expenditures</b>				
Personnel services	1,521,470	1,521,470	1,508,951	12,519
Material and services	2,568,980	2,568,980	1,280,543	1,288,437
Debt service	548,239	548,239	628,054	(79,815)
Contingency	3,500,278	3,500,278	-	3,500,278
<b>Total expenditures</b>	<b>8,138,967</b>	<b>8,138,967</b>	<b>3,417,548</b>	<b>4,721,419</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(7,788,138)</b>	<b>(7,788,138)</b>	<b>(2,450,966)</b>	<b>5,337,172</b>
<b>Other financing sources (uses)</b>				
Collections of tenant notes receivable and capital reimbursements	-	-	72,819	72,819
Transfers from other funds	5,160,452	5,160,452	3,189,884	(1,970,568)
Transfers to other funds	(2,804,381)	(2,804,381)	(2,780,719)	23,662
<b>Total other financing sources (uses)</b>	<b>2,356,071</b>	<b>2,356,071</b>	<b>481,984</b>	<b>(1,874,087)</b>
<b>Net changes in fund balances</b>	<b>(5,432,067)</b>	<b>(5,432,067)</b>	<b>(1,968,982)</b>	<b>3,463,085</b>
Fund balance, beginning of year	5,432,067	5,432,067	6,233,776	801,709
<b>Fund balance, end of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>4,264,794</b>	<b>\$ 4,264,794</b>
<b>Reconciliation to GAAP</b>				
Capital assets, net of depreciation			41,537,953	
Notes receivable from other organization			10,606,293	
Deferred outflows of resources			14,715	
Net pension asset (liability)			(223,706)	
Notes, bonds and special assessment debt			(11,984,088)	
Accrued interest payable			(143,484)	
Compensated absences			(83,398)	
Deposits			(240,877)	
Deferred Inflows of resources			(50,157)	
<b>Net position, end of year</b>			<b>\$ 43,698,045</b>	

The accompanying notes and independent auditors' report should be read with the supplemental schedules.

**PORT OF ST. HELENS**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE -  
BUDGET TO ACTUAL - REVENUE FUND**

Year Ended June 30, 2016

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance Favorable (Unfavorable) Final to Actual</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Tenant rents	\$ 4,258,434	\$ 4,258,434	\$ 2,942,062	\$ (1,316,372)
Reimbursements	439,268	439,268	223,936	(215,332)
Management fees	462,750	462,750	15,500	(447,250)
<b>Total revenues</b>	<b>5,160,452</b>	<b>5,160,452</b>	<b>3,181,498</b>	<b>(1,978,954)</b>
<b>Other financing sources (uses)</b>				
Transfers to other funds	(5,160,452)	(5,160,452)	(3,181,498)	1,978,954
<b>Total other financing sources (uses)</b>	<b>(5,160,452)</b>	<b>(5,160,452)</b>	<b>(3,181,498)</b>	<b>1,978,954</b>
<b>Net changes in fund balances</b>	-	-	-	-
Fund balance, beginning of year	-	-	-	-
<b>Fund balance, end of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

The accompanying notes and independent auditors' report should be read with the supplemental schedules.

**PORT OF ST. HELENS**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE -  
BUDGET TO ACTUAL - BOND FUND**

Year Ended June 30, 2016

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance Favorable (Unfavorable) Final to Actual</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Interest income	\$ 1,500	\$ 1,500	\$ 1,076	\$ (424)
<b>Total revenues</b>	<b>1,500</b>	<b>1,500</b>	<b>1,076</b>	<b>(424)</b>
<b>Expenditures</b>				
Principal	155,000	155,000	505,000	(350,000)
Interest expense	27,281	27,281	15,432	11,849
Contingency	571,580	571,580	-	571,580
<b>Total expenditures</b>	<b>753,861</b>	<b>753,861</b>	<b>520,432</b>	<b>233,429</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(752,361)</b>	<b>(752,361)</b>	<b>(519,356)</b>	<b>233,005</b>
<b>Other financing sources (uses)</b>				
Transfers from other funds	97,281	97,281	26,609	(70,672)
<b>Net change in fund balance</b>	<b>(655,080)</b>	<b>(655,080)</b>	<b>(492,747)</b>	<b>162,333</b>
Fund balance, beginning of year	655,080	655,080	524,712	(130,368)
<b>Fund balance, end of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 31,965</b>	<b>\$ 31,965</b>

The accompanying notes and independent auditors' report should be read with the supplemental schedules.

PORT OF ST. HELENS

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE -  
BUDGET TO ACTUAL - CAPITAL IMPROVEMENT FUND

Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable) Final to Actual
<b>Revenues</b>				
Grants	\$ 10,120,900	\$ 10,120,900	\$ 2,098,147	\$ (8,022,753)
Reimbursement from tenants	4,180,000	4,180,000	3,089,469	(1,090,531)
Miscellaneous income	-	-	1,042	1,042
<b>Total revenues</b>	<b>14,300,900</b>	<b>14,300,900</b>	<b>5,188,658</b>	<b>(9,112,242)</b>
<b>Expenditures</b>				
Capital outlay	17,483,000	17,483,000	8,453,394	9,029,606
Contingency	290,980	290,980	-	290,980
<b>Total expenditures</b>	<b>17,773,980</b>	<b>17,773,980</b>	<b>8,453,394</b>	<b>9,320,586</b>
<b>Excess (deficiency) of revenues over revenues</b>	<b>(3,473,080)</b>	<b>(3,473,080)</b>	<b>(3,264,736)</b>	<b>208,344</b>
<b>Other financing sources (uses)</b>				
Transfer from other funds	2,707,100	2,707,100	2,745,724	38,624
Transfer to other funds	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>2,707,100</b>	<b>2,707,100</b>	<b>2,745,724</b>	<b>38,624</b>
<b>Net change in fund balance</b>	<b>(765,980)</b>	<b>(765,980)</b>	<b>(519,012)</b>	<b>246,968</b>
Fund balance, beginning of year	765,980	765,980	707,738	(58,242)
<b>Fund balance, end of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 188,726</b>	<b>\$ 188,726</b>

The accompanying notes and independent auditors' report should be read with the supplemental schedules.

**PORT OF ST. HELENS**

**SCHEDULE OF TAX COLLECTIONS AND UNPAID BALANCES**

**June 30, 2016**

	<b>Imposed Levy or Balance Uncollected July 1, 2015</b>	<b>Discounts</b>	<b>Adjustments</b>	<b>Interest</b>	<b>Cash Collection by County Treasurer</b>	<b>Balance Uncollected or Unsegregated June 30, 2016</b>
<b>Current</b>						
2015-2016	\$ 335,502	\$ (8,773)	\$ (1,423)	\$ 123	\$ (314,609)	\$ 10,820
<b>Prior years</b>						
2014-2015	10,876	-	(82)	364	(5,618)	5,540
2013-2014	5,702	-	(31)	435	(3,354)	2,752
2012-2013	3,810	-	(46)	578	(3,094)	1,248
2011-2012	787	-	(33)	278	(1,260)	(228)
2010-2011	557	-	(32)	93	(309)	309
2009-2010	376	-	(31)	72	(206)	211
2008-2009	175	-	(7)	4	(25)	147
Prior years	447	-	(20)	19	(43)	403
<b>Total prior years</b>	<u>22,730</u>	<u>-</u>	<u>(282)</u>	<u>1,843</u>	<u>(13,909)</u>	<u>10,382</u>
<b>Total years</b>	<u>\$ 358,232</u>	<u>\$ (8,773)</u>	<u>\$ (1,705)</u>	<u>\$ 1,966</u>	<u>\$ (328,518)</u>	<u>\$ 21,202</u>

The accompanying notes and independent auditors' report should be read with the supplemental schedules.



**REPORT REQUIRED BY OREGON MINIMUM AUDIT STANDARDS**



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

To the Board of Commissioners  
Port of St. Helens  
Columbia City, Oregon

We have audited the basic financial statements of the Port of St. Helens (the Port) as of and for the year ended June 30, 2016, and have issued our report thereon dated March 23, 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 Port's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the *Minimum Standards for Audits of Oregon Municipal Corporations*, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

We performed procedures to the extent 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 was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the *Minimum Standards for Audits of Oregon Municipal Corporations*.

**OAR 162-10-0230 Internal Control**

In planning and performing our audit of the basic financial statements of the Port as of and for the year ended June 30, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered the Port's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion 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.

**KERN & THOMPSON, LLC**

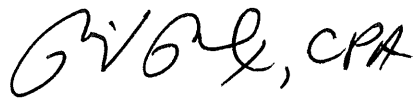
To the Board of Commissioners  
Port of St. Helens  
Columbia City, Oregon

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 Port's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

This report is intended solely for the information and use of the Commissioners and management of the Port of St. Helens and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these specified parties.

**KERN & THOMPSON, LLC**  
Certified Public Accountants



Richard V. Proulx, CPA  
Partner

Portland, Oregon  
March 23, 2017