

**PORT OF BROOKINGS HARBOR  
OREGON**

**AUDIT REPORT**

**JUNE 30, 2016**

Prepared By  
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**PORT OF BROOKINGS HARBOR, OREGON**

**BOARD OF COMMISSIONERS**

Chairman	Roy Davis Brookings, OR 97415
Vice-Chair	Sue Gold Brookings, OR 97415
Secretary/Treasurer	Mike Manning Brookings, OR 97415
Commissioner	Tim Patterson Brookings, OR 97415
Commissioner	Roger Thompson

**ADMINISTRATION**

Port Director	Ted Fitzgerald Resigned June 30, 2016
Interim Port Director	Don Mann
Legal Counsel	Jim Coffey Stebbins & Coffey

**REGISTERED AGENT**

Ted Fitzgerald  
PO Box 848  
Brookings, OR 97415

# PORT OF BROOKINGS HARBOR, OREGON

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**GRIMSTAD & ASSOCIATES**  
Certified Public Accountants

January 16, 2017

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**INDEPENDENT AUDITOR'S REPORT**

Board of Commissioners  
Port of Brookings Harbor  
Brookings, OR 97415

**Report on the Financial Statements**

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

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

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

**Auditor's Responsibility**

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

**Opinion**

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

## Other Matters

### *Required Supplementary Information*

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

### *Other Information*

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Port's basic financial statements. The budget schedules and the reconciliation schedule to net position are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budget schedules and reconciliation schedule to net position 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 my opinion, the budget schedules and reconciliation schedule to net position are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, I have also issued my report dated January 16, 2017, on my consideration of the Port's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Port's internal control over financial reporting and compliance.

### **Other Reporting Required by Oregon State Regulations**

In accordance with the Minimum Standards Audit of Oregon Municipal Corporations, I have issued my report dated January 16, 2017 on my consideration of the Port's compliance with certain 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 my compliance testing and not to provide an opinion on compliance.

  
SIGNE GRIMSTAD  
Certified Public Accountant

**PORT OF BROOKINGS**  
**Management Discussion and Analysis**  
**Fiscal Year 2015-2016**

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

Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to the Port's basic financial statements. This audit report consists of three parts – management's discussion and analysis (this section), the basic financial statements (including notes), and other supplementary information. This report is prepared in conformity with accounting principles generally accepted in the United States of America, and also by the Governmental Accounting Standards Board (GASB). The basic financial statements are prepared on the accrual basis, similar to a business, whereby revenues are recognized when earned and expenses are recognized when incurred, regardless of when cash is received or paid. The basic financial statements consist of a statement of net position that includes the Port's assets, liabilities, and net position at year end; statements of revenues, expenses, and changes in net position, which include all revenues, expenses and grants received for construction for the year; and a statement of cash flows, which present the sources and uses of cash for the year. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. Following the financial statements is a section of other supplementary information which further explains and supports the information in the financial statements. The Port's operating revenue includes moorage and launch, ice house and storage fees, rental and RV fees. Operating expenses are those costs directly related to providing these services.

Even though management considers the activities related to the operation of the Port as those of a unitary nature, the accounts of the Port are organized and operated on the basis of funds and are reported as such. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The Port is considered to be a single enterprise similar to a commercial entity for financial reporting purposes. Accordingly, the financial statements are maintained on the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred.

The Port maintains the following budgetary funds:

- General Fund - The General Fund is used to account for all administrative, operating, and marketing costs of the Port. Revenues consist of general property tax levies, grants, and charges for services. Expenditures are for maintenance and general administration.
- Debt Service Fund - This fund accounts for expenditures relating to debt service.
- Revenue Bond Fund - This fund's purpose is for servicing the revenue bond.
- Capital Projects Fund - This fund accounts for grant receipts and expenditures relating to major capital improvements.

### Financial Highlights

- ❖ Total assets of the Port was \$16,571,201. This includes capital assets of \$16,259,548 (net of accumulated depreciation), and current assets of \$311,653 at June 30, 2016.
- ❖ The assets of the Port exceeded its liabilities at the close of the most recent fiscal year by \$7,162,734 (net position). Of this amount, \$(270,904) unrestricted net position is used to meet the Port's ongoing obligations. Restricted \$52,473 is for debt service and capital projects.
- ❖ Total liabilities was \$9,408,467, down \$339,288 from last year.
- ❖ The Port's net position decreased by \$218,004 from June 30, 2015.
- ❖ Total operating loss for the fiscal year 2015-2016 was \$218,004, compared to a profit of \$175,193 the prior year.
- ❖ Total operating expenses for the fiscal year 2015-2016 were \$2,757,595, down from last year by \$186,216.

The fiscal year ending June 30, 2016 marked the close out of all FEMA-funded work related to damage from the March 11, 2011 tsunami. While these monies are funneled through the Port's accounts, the Port does not monetarily benefit by any of these funds unless the monies are paid for work done by Port personnel.

In the last eight years, the Port has gone through debt restructuring, completed the capital asset inventory and booking to go from a qualified to an unqualified opinion in its audits, and then was impacted by the tsunami in 2011, subsequently recovering from the damage.

The Port's largest liability is the repayment of debt, representing approximately 94% of total liabilities. The remaining 6% of liability consists almost entirely of payables on trade accounts, salaries, benefits and accrued expenses.



The statement of net position compares the net position at the end of the fiscal year 15-16 with the prior year. Net position is the difference between the assets of the Port and its liabilities. Changes in net position can be an indicator of the financial health of an enterprise and over time can show deterioration or improvement in financial health.

Statement of Net Position

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>Variance</u>
Current and other assets	\$ 311,653	\$ 736,111	\$ (424,458)
Capital assets	<u>16,259,548</u>	<u>15,713,806</u>	<u>545,742</u>
Total assets	<u>16,571,201</u>	<u>16,449,917</u>	<u>121,284</u>
Current liabilities	2,894,592	1,258,862	1,635,730
Long-term liabilities	<u>6,513,875</u>	<u>7,810,317</u>	<u>(1,296,442)</u>
Total liabilities	<u>9,408,467</u>	<u>9,069,179</u>	<u>(339,288)</u>
Net investment in capital assets	7,381,165	7,493,933	(112,768)
Restricted	52,473	160,508	(108,035)
Unrestricted	<u>(270,904)</u>	<u>(273,703)</u>	<u>2,799</u>
Total net position	<u>\$ 7,162,734</u>	<u>\$ 7,380,738</u>	<u>\$ (218,004)</u>

Statement of Revenue, Expenses and Changes in Net Position

	<u>2016</u>	<u>2015</u>	<u>Variance</u>
Operating Revenues	\$ 2,877,869	\$ 3,066,260	\$ (188,391)
Non-Operating Revenues			
Property Taxes	192,859	218,954	(26,095)
Grants	206,572	575,860	(369,288)
Interest Income	<u>345</u>	<u>163</u>	<u>182</u>
Total Revenues	<u>3,277,645</u>	<u>3,861,237</u>	<u>(583,592)</u>
Operating Expenses	2,757,599	2,943,815	186,216
Depreciation	488,848	470,507	(18,341)
Non-Operating Expense	<u>249,202</u>	<u>271,722</u>	<u>22,520</u>
Total Expenses	<u>3,495,649</u>	<u>3,686,044</u>	<u>190,395</u>
Changes in Net Position	(218,004)	175,193	<u>\$ 393,197</u>
Net Position - Beginning	<u>7,380,738</u>	<u>7,205,545</u>	
Net Position - Ending	<u>\$ 7,162,734</u>	<u>\$ 7,380,738</u>	

## GENERAL FUND BUDGETARY HIGHLIGHTS

A review of the Port's General Operating Fund indicates actual revenues exceeded budgeted projections largely due to loan proceeds and total expenses exceeded budget due to capital outlay.

## CAPITAL ASSETS

The following table lists the Port's capital assets and their values, net of depreciation, as of June 30:

	<u>2016</u>	<u>Restated 2015</u>
Land and improvements	\$ 2,537,448	\$ 2,522,147
Construction in progress	1,325,297	833,630
Buildings and docks	11,918,842	11,806,511
Equipment	<u>477,961</u>	<u>551,518</u>
Total	<u>\$16,259,548</u>	<u>\$15,713,806</u>

As shown in the table above, the Port's net capital assets increased by \$545,742 during the current year.

Current year activity includes a land exchange, completion of the parking lot and RV Park upgrades.

For further information relating to the Port's capital assets, see Note 6 of the Notes to the Financial Statements.

### Debt Administration:

In the 2015-2016 fiscal year the Port made all of its debt service payments to the State of Oregon. The State of Oregon suspended the necessity of debt service payments in 2011-2012 while the major tsunami repairs were on-going. All other loans and obligations are maintained current throughout the year.

### Economic Outlook:

During the 2015-2016 fiscal year the Port maintained its level of service to the patrons of the Port while completing renovations to Port boat launch and parking lot.

Rental revenues are as Port facilities are re-let. Port management and the Commission meet regularly to explore additional ways of providing improved and alternate income streams.

Port management is in negotiations with the Oregon Economic and Community Development/Oregon Business Development Department Infrastructure Finance Authority (IFA) regarding the excessive debt load that the Port has been saddled with since prior to 2008.

The Port of Brookings Harbor realizes the importance of maintaining the lands in public ownership. Funds for maintenance and future staffing requirements may come from joint ventures with the private sector(s). The Port would provide land on a leased basis and the private sector would provide cash, construction, and management expertise.

The Port staff will continue to seek grants from any and all sources to fund deferred maintenance needs and upgrades where needed. The Port will continue its efforts in obtaining funding for dredging. The Port also continues to seek alternative use arrangements for the partially completed commercial/retail building.

Requests for Information:

This financial report is designed to provide a general overview of the Port's finances to all interested parties. Questions concerning any of the information provided in this report, or requests for additional information, should be addressed to the Port of Brookings Harbor, PO Box 848, Brookings, Or 97415. The Secretary of State website maintains a copy of all Port audited financial reports.

**PORT OF BROOKINGS HARBOR, OREGON**

STATEMENT OF NET POSITION as of June 30, 2016

**ASSETS**

**Current Assets**

Cash and cash equivalents	\$ 23,023
Cash and cash equivalents - restricted	52,476
Accounts receivable	191,077
Note receivable	20,249
Prepaid expenses	14,081
Inventory	<u>10,747</u>

Total current assets 311,653

**Capital Assets**

Land	2,537,448
Buildings and equipment (net of depreciation)	<u>13,722,100</u>

Total capital assets 16,259,548

Total assets 16,571,201

**LIABILITIES AND NET POSITION**

**Current Liabilities**

Accounts payable	489,546
Payroll and payroll tax liabilities	502
Accrued benefits	15,608
Unearned revenue	24,429
Accrued interest payable, payable from restricted	43,657
Current portion of long-term debt, payable from restricted	<u>2,320,850</u>

Total current liabilities 2,894,592

**Long-term Liabilities**

Accrued interest payable	2,605,943
Long-term debt	<u>3,907,932</u>

Total long-term liabilities, payable from restricted assets 6,513,875

Total liabilities 9,408,467

**Net Position**

Net investment in capital assets	7,381,165
Restricted	
Debt service	19,070
Capital projects	33,403
Unrestricted	<u>(270,904)</u>

Total net position \$ 7,162,734

See accompanying notes to financial statements.

PORT OF BROOKINGS HARBOR. OREGON

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN  
FUND NET POSITION for the Year Ended June 30, 2016

**OPERATING REVENUES**

Moorages and fees	\$ 587,204
Rental and leases	1,094,176
Fuel sales	586,616
Cold storage	228,722
Repair facility	55,628
Dredging	130,051
Miscellaneous	<u>195,472</u>
Total operating revenues	<u>2,877,869</u>

**OPERATING EXPENSES**

Cost of services	2,757,599
Depreciation	<u>488,848</u>
Total operating expenses	<u>3,246,447</u>

**Total Operating Income (Loss)** (368,578)

**NONOPERATING REVENUE (EXPENSES)**

Property taxes	192,859
Grants	206,572
Interest income	345
Interest expense	<u>(249,202)</u>
Total nonoperating revenue (expense)	<u>150,574</u>

**Change in Net Position** (218,004)

NET POSITION - Beginning of year 7,380,738

NET POSITION - End of year \$ 7,162,734

See accompanying notes to financial statements.

**PORT OF BROOKINGS HARBOR, OREGON**

STATEMENT OF CASH FLOWS for the Year Ended June 30, 2016

**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash receipts from customers	\$ 2,806,095
Cash payments for goods and services	(2,108,190)
Cash payments for employees and benefits	<u>(854,579)</u>
Net cash provided (used) by operating activities	<u>(156,674)</u>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

Taxes collected	<u>215,752</u>
Net cash provided (used) by noncapital financing activities	<u>215,752</u>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Acquisition and construction of capital assets	(1,016,587)
Grants	461,420
Loan proceeds	842,881
Principal paid on debt	(376,727)
Interest paid on debt	<u>(74,847)</u>
Net cash provided (used) by capital and related financing activities	<u>(163,860)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest income	<u>345</u>
Net cash provided (used) by investing activities	<u>345</u>

Net increase (decrease) in cash and cash equivalents (104,437)

Cash and cash equivalents - Beginning of year (restricted \$160,508) 179,936

Cash and cash equivalents - End of year (restricted \$52,476) \$ 75,499

**RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES**

Operating income (loss)	\$ (368,578)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities	
Depreciation	488,848
(Increase) decrease in operating assets	
Accounts receivable	(26,469)
Inventory	8,763
Prepaid expenses	59,986
Increase (decrease) in operating liabilities	
Accounts payable	(264,633)
Accrued payroll liabilities	(9,286)
Unearned revenue	<u>(45,305)</u>
Net cash provided (used) by operating activities	<u>\$ (156,674)</u>

# PORT OF BROOKINGS HARBOR, OREGON

## NOTES TO FINANCIAL STATEMENTS as of June 30, 2016

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Port of Brookings Harbor (Port) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standards-setting body for establishing governmental accounting and financial reporting standards.

The more significant of the Port's accounting policies are described below.

#### Reporting Entity

The Port, organized under the laws pertaining to port districts in the State of Oregon, was incorporated in 1956 to provide port services and facilities to recreational and commercial users on the southern Oregon coast. A five member Board of Commissioners oversees management in its operations.

There are various other governmental agencies and special service entities which provide services within the Port's boundaries. However, the Port is not financially accountable for any of these entities and accordingly, their financial information is not included in these financial statements.

#### Basis of Accounting

The Port is considered to be a single enterprise similar to a commercial entity for financial reporting purposes. Accordingly, these financial statements are maintained on the flow of economic resources measurement focus using the accrual basis of accounting utilizing accounting principles applicable to commercial enterprises. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when liabilities are incurred.

#### Interfund Transactions - Budget

Transactions that constitute reimbursements to a fund for expenses initially made from it that are properly applicable to another fund are recorded as expenses in the reimbursing fund and as reductions of expenses in the fund that is reimbursed.

All other interfund transactions are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

#### Deposits and Investments

The Port's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. For purposes of the statement of cash flows, all highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents.

**PORT OF BROOKINGS HARBOR, OREGON**

**NOTES TO FINANCIAL STATEMENTS**  
as of June 30, 2016

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Deposits and Investments**

The Port's investment policies are governed by Oregon statutes. The statutes authorize the Port to invest primarily in general obligations of the U.S. Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers' acceptances, high-grade commercial paper and the State Treasurer's Local Government Investment Pool (LGIP). The Port has not adopted policies that would further limit its deposit and investment choices. See Note 3.

**Receivables**

*Accounts Receivable*

Uncollected receivables are deemed to be substantially collectible or recoverable through liens; therefore, no allowance for uncollectible accounts has been established.

*Property Tax Receivable*

Property taxes are levied and become a lien on all taxable property as of July 1. Taxes are levied on November 15 with collection dates: November 15, February 15, and May 15. Discounts are allowed if the amount due is received by November 15. Taxes unpaid and outstanding on May 16 are considered delinquent.

**Inventory**

Inventory is valued at lower of cost or fair value, using the first-in/first-out (FIFO) method. The cost of inventory is expensed when consumed.

**Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30 are recorded as prepaid items.

**Restricted Assets**

Resources set aside for repayment of debt obligations are classified as restricted assets on the statement of net position as their use is limited by applicable covenants. Restricted resources are expended first to fund appropriations for which those restrictions are to be utilized.

**Capital Assets**

Capital assets are stated at cost. Donated assets are recorded at their estimated fair value at the date of donation. Replacements, which improve or extend the lives of property, are capitalized. Maintenance, repairs and equipment replacements of a routine nature are charged to expenditures as incurred and are not capitalized. The Port has a capitalization policy of \$5,000 for assets with a life longer than one year.

Capital assets constructed with tax-exempt borrowing may include capitalized interest as part of the cost of capital assets. All interest expense less any interest earned on investments acquired with the proceeds of the borrowing are capitalized from the date of the borrowing until the assets are ready for their intended use.



**PORT OF BROOKINGS HARBOR, OREGON**

**NOTES TO FINANCIAL STATEMENTS**  
as of June 30, 2016

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Capital Assets**

Assets subject to depreciation are depreciated over their estimated useful lives on the straight-line basis as follows:

Docks, ramps and buildings	40 years
Equipment and furniture	5 - 10 years

**Compensated Absences**

Accumulated vacation leave is recorded when earned. Vacation pay is computed using employee pay rates in effect at the time the vacation is used. Sick leave pay is recorded when leave is taken since it does not vest when earned.

**Operating Revenues, Non-Operating Revenues and Operating Expenses**

The Port has defined operating revenues to include all service charges and other applicable charges for services directly attributable to providing Port facilities. Operating expenses are defined as those expenses directly related to providing the services reflected within operating revenues including depreciation and amortization. Non-operating revenues are revenues of the Port not directly attributable to the services provided. This includes property taxes, investment interest, capital contributions, gain (loss) on sale of capital assets and non-operating revenue.

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

**Use of Estimates**

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

**Adoption of New GASB Pronouncements**

During the current year, the Port implemented the following GASB pronouncement:

GASB Statement No. 72, *Fair Value Measurement and Application*, issued in February of 2015, this statement establishes accounting and financial reporting standards for fair value measurements, the level of fair value hierarchy, and valuation techniques. This statement is effective for fiscal year ending June 30, 2016.

PORT OF BROOKINGS HARBOR, OREGON

NOTES TO FINANCIAL STATEMENTS  
as of June 30, 2016

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budget Law and Practice**

The Port legally adopts an annual budget for each individual fund prior to July 1 through passage of a resolution in accordance with the legal requirements set forth in the Oregon Local Budget Law. The resolution authorizes fund appropriations at the following control levels: personal services, materials and services, capital outlay, debt service, interfund transactions, operating contingency, and all other requirement levels. Appropriations lapse at the end of the fiscal year.

Unexpected additional resources may be added to the original budget through the use of a supplemental budget and appropriation resolution. The supplemental budget, greater than 10% of the fund's original budget, requires hearings before the public, publications in newspapers, and approval by the Board. Original and supplemental budgets may be modified by the use of appropriation transfers between the levels of control. Such transfers require approval by the Board.

*Over Expenditures*

The General Fund over expended in Capital Outlay \$765,598. Debt service overexpended by \$13,674, however \$13,000 was unanticipated disbursement based on a sale of property. The budget violation applies to the \$674.

*Deficit Fund Balance*

At year end, the General Fund has a deficit balance of \$270,904. When the funds are combined for business-type presentation, there is a deficit balance for unrestricted funds in the enterprise presentation.

**NOTE 3 - DEPOSITS AND INVESTMENTS**

Cash, cash equivalents and investments as of June 30 are classified in the accompanying Statement of Net Position as follows:

	<u>Balance</u>	<u>Restricted</u>	<u>Unrestricted</u>
Cash and cash equivalents	\$ 75,499	\$ 52,476	\$ 23,023

Cash, cash equivalents and investments as of June 30 consist of the following:

	<u>Balance</u>
Cash on hand	\$ 1,092
Deposits with financial institutions	74,407
Total cash and investments	<u>\$ 75,499</u>

PORT OF BROOKINGS HARBOR, OREGON

NOTES TO FINANCIAL STATEMENTS  
as of June 30, 2016

**NOTE 3 - DEPOSITS AND INVESTMENTS - Continued**

**Deposits**

At the end of the fiscal year, the Port's total deposits with financial institutions have a bank value of \$203,250.

*Custodial Credit Risk*

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.

**NOTE 4 - RECEIVABLES**

Receivables at year end consist of the following:

	<u>Balance</u>
Accounts receivable	\$ 191,077
Note receivable	<u>20,249</u>
Total receivables	<u>\$ 211,326</u>

Uncollected receivables are deemed to be substantially collectible or recoverable through liens; therefore, no allowance for uncollectible has been established.

**Note Receivable**

Note receivable for the sale of Bells and Whistle's personal property, payable in monthly installments of \$1,000 including interest at 5%. The notes is secured by personal property.

**NOTE 5 - INTERFUND TRANSFERS**

**Transfers**

Operating transfers are for servicing debt. The following is a breakdown of these transfers:

	<u>Source</u>	<u>Use</u>
General Fund	\$ 310,136	\$ 0
Debt Service Fund	0	180,016
Revenue Bond Fund	<u>0</u>	<u>130,120</u>
Total	<u>\$ 310,136</u>	<u>\$ 310,136</u>

The purpose of inter-fund transfers is to service debt.

**PORT OF BROOKINGS HARBOR, OREGON**

**NOTES TO FINANCIAL STATEMENTS**  
as of June 30, 2016

**NOTE 6 - CAPITAL ASSETS**

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

	<u>7/01</u> <u>Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>6/30</u> <u>Balance</u>
Capital assets not being depreciated				
Land and improvements	\$ 2,522,147	\$ 39,523	\$ (24,222)	\$ 2,537,448
Construction in progress	<u>833,630</u>	<u>1,000,297</u>	<u>(508,630)</u>	<u>1,325,297</u>
Total non-depreciable	<u>3,355,777</u>	<u>1,039,820</u>	<u>(532,852)</u>	<u>3,862,745</u>
Capital assets being depreciated				
Buildings and dock	17,010,338	527,622	0	17,537,960
Equipment	<u>1,246,478</u>	<u>0</u>	<u>0</u>	<u>1,246,478</u>
Total depreciable at historical cost	<u>18,256,816</u>	<u>527,622</u>	<u>0</u>	<u>18,784,438</u>
Accumulated depreciation				
Buildings and dock	(5,203,827)	(415,290)	0	(5,619,117)
Equipment	<u>(694,960)</u>	<u>(73,558)</u>	<u>0</u>	<u>(768,517)</u>
Total accumulated depreciation	<u>(5,898,787)</u>	<u>(488,848)</u>	<u>0</u>	<u>(6,387,634)</u>
Total depreciable, net	<u>12,358,029</u>	<u>\$ 38,774</u>	<u>\$ 0</u>	<u>12,396,804</u>
Capital assets, net	<u>\$15,713,806</u>			<u>\$16,259,548</u>

Current year depreciation is \$488,849.

**Disclosure**

**Idle Asset - Green Building**

In Construction in Progress is the asset called Green Building. The building consists of around 14,000 sq. feet of a building shell that has not been completed since 2000 due to lack of funds. Its basis was written down in a prior year to estimated carrying value of \$325,000. In adopting GASB No. 72, the Port used the cost approach (Level 2). This approach supports the amount that would be needed to replace the asset at its present service capacity. Fair value is believed to be higher and the Port is activity marketing the building.

**PORT OF BROOKINGS HARBOR, OREGON**

**NOTES TO FINANCIAL STATEMENTS**  
as of June 30, 2016

**NOTE 7 - LONG TERM DEBT**

The Port's long-term debt includes a revenue bond, eleven obligations to the State of Oregon, and two notes payable. Below is a summary of the obligations by category:

**Revenue Bond**

Port of Brookings Harbor, Oregon Installment Revenue Bond No. 1, Series 2000, was issued on November 6, 2000. Annual payments of \$130,120, consisting of principal and 5% interest, are due on November 6 of each year. The bond was issued for the purpose of providing a portion of the cost of construction and improvements to the boat basin. Repayments are from the unobligated net revenues of the Port.

Total Revenue Bond 6/30  
Balance

\$ 1,350,402

Revenue bond debt service requirements to maturity:

<u>Fiscal Year</u> <u>Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Future</u> <u>Requirements</u>
2017	\$ 62,618	\$ 67,502	\$ 130,120
2018	65,749	64,371	130,120
2019	69,037	61,083	130,120
2020	72,489	57,632	130,121
2021	76,113	54,007	130,120
2022-26	441,602	209,001	650,603
2027-31	<u>562,794</u>	<u>86,995</u>	<u>649,789</u>
Totals	<u>\$1,350,402</u>	<u>\$ 600,592</u>	<u>\$ 1,950,993</u>

**Oregon Business Development Dept.  
Infrastructure Financing Authority (IFA)**

	<u>6/30</u> <u>Balance</u>
IFA #040-172, payable in quarterly installments, including interest of 5%, until paid in the 2022 fiscal year, secured by land.	\$ 167,625
IFA #040-139, payable in quarterly installments of \$7,085, including interest of 5%, until paid in the 2017 fiscal year, secured by land and revenues from the commercial/retail project.	110,010
IFA Special Public Works Fund L96003, payable in quarterly installments, including interest of 6%, until paid in the 2021 fiscal year, unsecured loan for beach erosion repairs.	169,399
IFA Special Public Works Fund L98004, payable in quarterly installments, including interest of 6%, until paid in the 2023 fiscal year, unsecured for dock improvements.	297,295
IFA Special Public Works Fund L02001, payable in quarterly installments, including interest of 5.35%, until paid in the 2026 fiscal year, unsecured loan for a marine fueling station.	252,620

PORT OF BROOKINGS HARBOR, OREGON

NOTES TO FINANCIAL STATEMENTS  
as of June 30, 2016

NOTE 7 - LONG TERM DEBT - Continued

Notes Payable - Oregon Business Development Dept. Infrastructure Financing Authority (IFA)

	<u>6/30 Balance</u>
IFA #040-176, payable in quarterly installments, including interest of 7%, until paid in the 2024 fiscal year, secured by land.	361,446
IFA Special Public Works Fund L02009, payable in quarterly installments, including interest of 5%, until paid in the 2027 fiscal year, secured by port improvements.	992,413
IFA #040-181, payable in quarterly installments, including interest of 4.88%, until paid in the 2024 fiscal year, secured by port improvements.	238,692
IFA Special Public Works Fund X03004, payable in quarterly installments, including interest of 4.88%, until paid in the 2022 fiscal year, secured by port improvements.	261,898
IFA Interim Financing Loan L12001. Draw downs up to \$1,405,232, no interest. Current year draw downs were \$9,951. See Payment Modifications - Grant Agreement.	1,162,051
IFA Interim Financing Loan L16010. Draw downs up to \$1,562,157, no interest. Current year draw downs were \$833,290. See grant agreement.	<u>833,290</u>
Total IFA Obligation	<u>\$ 4,846,738</u>

**Payment Modifications - Prior**

In January of 2010, a restructured agreement was signed with Oregon Business Development Department Infrastructure Finance Authority (IFA); specifying considerations of the Port's cash flows, intended to repay all loan principal, minimize the cost of recovery and minimize the negative impact to the Port's revenue producing assets. The agreement was to commence January 2010 with the payoff of loan #94-05 for \$117,000 and loan #040-095 for \$71,000 by June 30, 2010. The Port was then committed to making level quarterly installment payments of \$62,500 beginning September 2010 through March 2030. Loan repayment order was based on the earliest maturity first. Interest was to accrue quarterly according to each notes current interest rate. Any interest not satisfied in the current period would be deferred, non-compounding, until satisfied. Any interest not satisfied at the maturity of each note may be forgiven, at the discretion of IFA Director.

The Port was current on its obligation until March of 2011, when the Port sustained substantial damage from a tsunami. On April 6, Governor John Kitzhaber suspended the Port's debt payments to Infrastructure Finance Authority until revenue generating facilities were restored.

**Grant Agreement**

*Interim Loan L12001*

During the 2011-12 year, the Port signed an interim loan (No. L12001) to be able to continue the ongoing repairs from the tsunami and be able to match FEMA monies at 25%.

**PORT OF BROOKINGS HARBOR, OREGON**

**NOTES TO FINANCIAL STATEMENTS**  
as of June 30, 2016

**NOTE 7 - LONG TERM DEBT - Continued**

**Payment Modifications - Current Year**

**Grant Agreement**

*Interim Loan L12001*

In February of 2012, the Port entered into a grant agreement with the State of Oregon acting by and through its Department of Transportation to receive Multimodal Transportation funds for reimbursing Interim Financing Loan No. L12001. The Port shall provide proof of its loan draw down up to \$1,405,232 and will be reimbursed a lump sum grant amount not to exceed \$1,405,232. The terms of this Agreement was effective March of 2015 and terminates five years from the date of execution. Draw down in the current year was \$9,591 totaling \$1,162,051. On July 17 the obligation was paid off per the grant agreement.

*Interim Loan L16010*

In the current fiscal year the Port signed an interim loan (No. L16010) to be able to continue the repair and improvement of the docks. The interim loan with the State of Oregon is not to exceed \$1,562,157 and will be reimbursed in a lump sum grant amount not to exceed \$1,562,157.

**IFA Business**

State of Oregon debt service requirements to maturity:

Fiscal Year Ending	Principal	Interest	Total Future Requirements
2017	\$ 2,243,510	\$ 1,831	\$ 2,245,341
2018	248,169	1,831	250,000
2019	248,169	1,831	250,000
2020	248,169	1,831	250,000
2021	250,169	1,831	252,000
2022-26	1,029,486	1,140	1,030,626
2027-31	579,066	0	579,066
Totals	<u>\$ 4,846,738</u>	<u>\$ 10,295</u>	<u>\$ 4,857,033</u>

**Interest**

Presently the Port is making quarterly payments of \$62,042 to service IFA's seven obligations. In approximately eleven years after the last payment satisfying the principal balance due, interest payments will begin.

**Notes Payable**

In October of 2011, the Port refinanced with Umpqua Bank to payoff a line of credit. The loan was for \$250,000 at a fixed rate of .75%, payable in monthly installments of \$4,814.98 including interest. Final payment is in October 2016. The loan is secured by real estate.

6/30  
Balance

\$ 13,858

In March of 2016, the Port purchased a building on Port property for \$18,000. Monthly payments of \$672 commenced in March with no interest. The seller entered into a Port lease for \$600 per month, therefore the Port's obligation of \$600 will be exchanged for monthly rent, netting a monthly cash obligation of \$72 on the loan. Payoff of the loan is in 2037.

17,784

Total notes payable

\$ 31,642

**PORT OF BROOKINGS HARBOR, OREGON**

**NOTES TO FINANCIAL STATEMENTS**  
as of June 30, 2016

**NOTE 7 - LONG TERM DEBT - Continued**

**Notes Payable**

Notes payable and service requirements to maturity:

Fiscal Year Ending	Principal	Interest	Total Future Requirements
2017	\$ 14,722	\$ 1,379	\$ 16,101
2018	864	0	864
2019	864	0	864
2020	864	0	864
2021	864	0	864
2022-26	4,320	0	4,320
2027-31	4,320	0	4,320
2032-36	4,320	0	4,320
2037	504	0	504
Total	<u>\$ 31,642</u>	<u>\$ 1,379</u>	<u>\$ 33,021</u>

**Changes in Long-Term Debt**

During the year ended June 30, the following changes occurred in long term liabilities:

	7/1 Balance	Additions	Adjustments & Reductions	6/30 Balance	Due in One Year
Revenue Bond, Series 2000	\$1,410,021	\$ 0	\$ 59,619	\$1,350,402	\$ 62,618
IFA	4,265,484	842,881	261,627	4,846,738	2,243,510
Notes payable	69,123	18,000	55,481	31,642	14,722
Totals	<u>\$5,744,628</u>	<u>\$ 860,881</u>	<u>\$ 376,727</u>	<u>\$6,228,782</u>	<u>\$2,320,850</u>

Interest expense for the year was \$249,202. No interest was capitalized.

**NOTE 8 - LEASES**

**Port as Lessor**

The Port, as a lessor leases certain properties with a total approximate net capitalized cost of \$1,036,324 and annual depreciation expense of approximately \$15,293 under long-term noncancelable operating leases.

The minimum future lease payments to be received under non-cancelable leases are as follows:

Year Ending June 30,	Balance
2017	\$ 199,785
2018	176,470
2019	117,581
2020	56,350
2021	38,180
Thereafter	455,555
Total	<u>\$1,043,921</u>

Amounts for future lease extensions are not included as they are cancelable.



PORT OF BROOKINGS HARBOR, OREGON

NOTES TO FINANCIAL STATEMENTS  
as of June 30, 2016

**NOTE 9 - UNEARNED REVENUE**

At year end the deferred revenue consisted of the following:

	<u>Balance</u>
Prepaid/credits	\$ 14,927
Security/cleaning deposits	<u>9,502</u>
Total	<u>\$ 24,429</u>

**NOTE 10 - MISCELLANEOUS REVENUE**

Miscellaneous revenue for the year consists of the following:

	<u>Balance</u>
Special events	\$ 83,956
Coffee shop	1,851
Sale of assets	29,825
Other various	<u>79,840</u>
Total	<u>\$ 195,472</u>

**NOTE 11 - OTHER INFORMATION**

**Risk Management**

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

**Evaluation of Subsequent Events**

*Servicing Debt*

In September the Port paid off in full its obligation to Umpqua Bank for \$13,858. As of January 16, 2017, it is late on its \$62,500 fourth quarter payment to IFA.

*General*

The Port has evaluated subsequent events through January 16, 2017, the date which the financial statements were available to be issued.

**PORT OF BROOKINGS HARBOR  
OREGON**

**SUPPLEMENTAL SECTION**

## PORT OF BROOKINGS HARBOR, OREGON

### DESCRIPTION OF BUDGETARY FUNDS

Pursuant to the provisions of Oregon Revised Statute, an individual schedule of revenues, expenditures, and changes in fund balances requires budget and actual be displayed for each fund where legally adopted budgets are required.

Budgetary Comparison schedules include the following funds:

The Port uses the following budgetary funds to account for its activities:

#### **General Fund**

The fund is used to account for the financial resources that are not accounted for in any other fund. Principal sources of revenue are from moorage, lease income and property taxes. Primary expenditures are for maintenance and general administration.

#### **Debt Service Fund**

The fund is used to account for principal and interest paid on the Port's debt other than the revenue bond obligation.

#### **Revenue Bond Fund**

The fund is used to account for principal and interest payments on the revenue bond.

#### **Capital Projects Fund**

The fund is used to account for expenditures on major construction and improvement. Principal sources of revenue are grants and loans.

**PORT OF BROOKINGS HARBOR, OREGON**

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

**GENERAL FUND**

	Original and Final Budget	Actual	Variance
<b>REVENUES</b>			
Property taxes	\$ 178,700	\$ 192,859	\$ 14,159
RV Park	465,000	613,160	148,160
Moorage and launch	610,000	587,204	(22,796)
Repair facility	225,000	55,628	(169,372)
Dredging	0	130,051	130,051
Asset sale	0	14,951	14,951
Ice house	155,000	188,866	33,866
Landing tariff	45,000	0	(45,000)
Rentals	455,000	481,016	26,016
Cold storage	30,000	39,856	9,856
Miscellaneous	88,760	180,866	92,106
Grants	0	189,597	189,597
Fuel sales	1,000,000	586,616	(413,384)
Loan proceeds	0	860,881	860,881
Total revenues	<u>3,252,460</u>	<u>4,121,551</u>	<u>869,091</u>
<b>EXPENDITURES</b>			
Personnel services	947,028	845,293	101,735
Materials and services	1,995,000	1,912,306	82,694
Capital outlay	250,000	1,015,598	(765,598)
Contingency	182,765	0	182,765
Total expenditures	<u>3,374,793</u>	<u>3,773,197</u>	<u>(398,404)</u>
Excess (def) of revenues over expenditures	(122,333)	348,354	470,687
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers to other funds	<u>(450,912)</u>	<u>(310,136)</u>	<u>140,776</u>
Excess (def) of revenues over expenditures and transfers	(573,245)	38,218	611,463
FUND BALANCE - Beginning of year (Budget)	<u>255,245</u>	<u>(309,122)</u>	<u>(564,367)</u>
FUND BALANCE - End of year (Budget)	<u>\$ (318,000)</u>	<u>(270,904)</u>	<u>\$ 47,096</u>
<b>GAAP ADJUSTMENTS - Reconciled to June 30, 2015</b>		7,493,932	
Capital asset activity			
Additions		1,039,820	
Disposals		(24,222)	
Transfers in		18,992	
Depreciation		(488,848)	
Long-term debt activity			
Principal payments		376,727	
Loan proceeds		(860,881)	
Interest accrued		<u>(174,355)</u>	
FUND BALANCE - End of year (GAAP)		<u>\$ 7,110,261</u>	

**PORT OF BROOKINGS HARBOR, OREGON**

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

**DEBT SERVICE FUND**

	Original and Final Budget	Actual	Variance
<b>REVENUES</b>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<b>EXPENDITURES</b>			
Principal payments	297,213	317,108	(19,895)
Interest payments	<u>10,567</u>	<u>4,346</u>	<u>6,221</u>
Total expenditures	<u>307,780</u>	<u>321,454</u>	<u>(13,674)</u>
Excess (def) of revenues over expenditures	(307,780)	(321,454)	(13,674)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers from other funds	<u>307,780</u>	<u>180,016</u>	<u>127,764</u>
Excess (def) of revenues over expenditures and transfers	0	(141,438)	(141,438)
FUND BALANCE - Beg of year (Budget)	<u>0</u>	<u>147,496</u>	<u>147,496</u>
FUND BALANCE - End of year (Budget)	<u>\$ 0</u>	<u>\$ 6,058</u>	<u>\$ 6,058</u>

**PORT OF BROOKINGS HARBOR, OREGON**

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

**REVENUE BOND FUND**

	Original and Final Budget	Actual	Variance
	<u>          </u>	<u>          </u>	<u>          </u>
<b>REVENUES</b>	\$ 0	\$ 0	\$ 0
<b>EXPENDITURES</b>			
Bond principal	54,092	59,619	(5,527)
Bond interest	<u>76,028</u>	<u>70,501</u>	<u>5,527</u>
Total expenditures	<u>130,120</u>	<u>130,120</u>	<u>0</u>
Excess (def) of revenues over expenditures	(130,120)	(130,120)	0
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers from General Fund	<u>143,132</u>	<u>130,120</u>	<u>(13,012)</u>
Excess (def) of revenues over expenditures and transfers	13,012	0	(13,012)
Unappropriated ending fund balance	(13,012)	0	13,012
FUND BALANCE - Beginning of year (Budget)	<u>0</u>	<u>13,012</u>	<u>13,012</u>
FUND BALANCE - End of year (Budget)	<u>\$ 0</u>	<u>\$ 13,012</u>	<u>\$ 13,012</u>

**PORT OF BROOKINGS HARBOR, OREGON**

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

**CAPITAL PROJECTS FUND**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>			
Grants	\$ 322,600	\$ 16,975	\$ (305,625)
Total revenues	<u>322,600</u>	<u>16,975</u>	<u>305,625</u>
<b>EXPENDITURES</b>			
Capital outlay	<u>322,600</u>	<u>18,992</u>	<u>303,608</u>
Excess (def) of revenues over expenditures	0	(2,017)	(2,017)
FUND BALANCE - Beginning of year (Budget)	<u>0</u>	<u>35,420</u>	<u>35,420</u>
FUND BALANCE - End of year (Budget)	<u>\$ 0</u>	33,403	<u>\$ 33,403</u>
<b>GAAP ADJUSTMENTS</b>			
Additions		18,992	
Transfers out		<u>(18,992)</u>	
FUND BALANCE - End of year (GAAP)		<u>\$ 33,403</u>	

**PORT OF BROOKINGS HARBOR, OREGON**

**RECONCILIATION OF REVENUES AND EXPENDITURES (BUDGETARY BASIS) TO THE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION for the Year Ended June 30, 2016**

	<u>Total Revenues</u>	<u>Total Expenditures</u>	<u>Net</u>
<b>Budgetary Basis</b>			
General Fund	\$ 4,121,551	\$ 4,083,333	\$ 38,218
Debt Service Fund	180,016	321,454	(141,438)
Revenue Bond Fund	130,120	130,120	0
Capital Projects Fund	<u>16,975</u>	<u>18,992</u>	<u>(2,017)</u>
 Total budgetary basis	 <u>\$ 4,448,662</u>	 <u>\$ 4,553,899</u>	 (105,237)
 <b>Add (Deduct) Items to Reconcile to Net Income on a Financial Reporting Basis</b>			
Capital asset activity			
Additions			1,058,812
Disposals			(24,222)
Depreciation			(488,848)
Long-term debt activity			
Principle payments			376,727
Loan proceeds			(860,881)
Interest accrued			<u>(174,355)</u>
 Change in net position			 (218,004)
 NET POSITION - Beginning of year			 <u>7,380,738</u>
 NET POSITION - End of year			 <u>\$ 7,162,734</u>



**PORT OF BROOKINGS HARBOR  
OREGON**

**COMPLIANCE SECTION**

**GRIMSTAD & ASSOCIATES**  
Certified Public Accountants

Newport Office:  
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530 N.W. 3rd St. Ste E  
Newport, OR 97365  
(541) 265-5411  
Fax (541) 265-9255  
info@grimstad-assoc.com

January 16, 2017

**Independent Auditor's Report  
Required by Oregon State Regulations**

Lincoln City Office:  
1349 N.W. 15th Street  
Lincoln City, OR 97367  
(541) 994-5252  
Fax (541) 994-2105

Board of Commissioners  
Port of Brookings Harbor  
Brookings, Oregon

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Port of Brookings Harbor, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Port of Brookings Harbor's basic financial statements, and have issued my report thereon dated January 16, 2017.

**Compliance**

As part of obtaining reasonable assurance about whether the Port of Brookings Harbor financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-330 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 my audit, and accordingly, I do not express such an opinion.

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

- Accounting records and related internal control structure.
- 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 my testing nothing came to my attention that caused me to believe the Port of Brookings Harbor 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 162-10-330 of the Minimum Standards for Audits of Oregon Municipal Corporations except for the following:

Members:  
AICPA OSCP & OAIA

## Budget

The General Fund over expended in Capital Outlay by \$765,598 and Debt Service over expended by \$13,674. On the Debt Service, \$13,000 was an unanticipated disbursement from the sale of property, therefore the budget violation is to the \$674 only.

Year 2016-17

The notice for the second budget hearing was published three days before the hearing rather than the required five days.

## Internal Control Over Financial Reporting

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. I did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that I consider to be a material weakness. 2016-1

The Port's response to the findings identified in my audit is described in the accompanying schedule of findings and questioned costs/Port response. I did not audit the Port's response and, accordingly, I express no opinion on it.

## Purpose of This Report

This report is intended solely for the information and use by the board of commissioners and management of the Port of Brookings Harbor, Oregon and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these parties.



**SIGNE GRIMSTAD**  
Certified Public Accountant

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January 16, 2017

**Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards**

Board of Commissioners  
Port of Brookings Harbor  
Brookings, Oregon

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Port of Brookings Harbor, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Port of Brookings Harbor's basic financial statements, and have issued my report thereon dated January 16, 2017.

**Internal Control Over Financial Reporting**

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. I did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs that I consider to be material weaknesses. 2016-1

Members:  
AICPA OSCP & OAIA


The Port's response to the findings identified in my audit is described in the accompanying schedule of findings and questioned costs/Port response. I did not audit the Port's response and, accordingly, I express no opinion on it.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Port's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of This Report**

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Port's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Port's internal control and compliance. Accordingly, this communications is not suitable for any other purpose.



**SIGNE GRIMSTAD**  
Certified Public Accountant

**PORT OF BROOKINGS HARBOR, OREGON**  
**SCHEDULE OF FINDINGS AND PORT RESPONSE**  
for the Year Ended June 30, 2016

**FINDINGS - FINANCIAL STATEMENT AUDIT - June 30, 2016**

**2014-1      General Ledger - Material Weakness**

Criteria: The general ledger should be setup to reflect self-balancing funds.

Condition: The Port maintains a single general ledger combining four funds, making it difficult to separate individual self-balancing funds.

Cause: The accounts for all the funds are combined in the trial balance.

Effect: Because of the present chart of accounts, there is a risk of individual funds being out of balance.

Recommendation: The Port should expand its chart of accounts to reflect self-balancing funds.

Response: The Port understands the importance of self-balancing funds and the risk of misstatement. The Port is in agreement and was working on improving its chart of accounts. Presently, the Board has taken its bookkeeping to an independent accounting firm.

**2015-1      General Ledger**

Finding same as 2014.

Response: An independent accounting firm is working on the chart of accounts.

**2016-1      General Ledger**

Finding same as 2015.

Response: The Port is presently setting up four QuickBook funds to record transactions in self-balancing accounts.