

**PORT OF BROOKINGS HARBOR  
OREGON**

**AUDIT REPORT**

**JUNE 30, 2017**

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

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**ADMINISTRATION**

Gary Dehlinger

Port Manager

Jim Coffey

Legal Counsel

**PORT OFFICE**

16330 Lower Harbor Road  
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# PORT OF BROOKINGS HARBOR, OREGON

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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, 2017, 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, 2017, 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 November 21, 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 grant 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 November 21, 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  
Newport, Oregon  
November 21, 2017

**PORT OF BROOKINGS**  
**Management Discussion and Analysis**  
**Fiscal Year 2016-2017**

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, 2017.

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, fuel dock, boatyard, commercial leases 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 – This operating 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.
- Reserve Fund – This fund’s purpose is to save money for replacing buildings, equipment, and docks in the future.

## **Financial Highlights**

- ❖ Total assets of the Port are \$16,435,995. This includes capital assets of \$14,573,665 (net of accumulated depreciation), and current assets of \$1,890,330 at June 30, 2017.
- ❖ The assets of the Port exceeded its liabilities at the close of the most recent fiscal year by \$7,877,632 (net position). Of this amount, \$(2,703,143) is unrestricted in net position. Restricted \$1,641,843 is for debt service and capital projects.
- ❖ Total liabilities were \$8,586,363, down \$822,104 from last year.
- ❖ The Port’s net position increased by \$714,898 from June 30, 2016.
- ❖ Total operating loss for the fiscal year 2016-2017 was \$309,098, compared to a loss of \$365,578 in the prior year.
- ❖ Total operating expenses for the fiscal year 2016-2017 were \$2,591,078, down from last year by \$655,735.

The fiscal year ending June 30, 2017 marked the beginning of a new trend at the Port of Brookings Harbor. Bookkeeping within QuickBooks was overhauled to show fund accounting and clear transactions between the funds. The Port also created separate bank accounts for each fund for additional transparency and accountability.

Board of Commissioners hired a new Port Manager to oversee day to day operations. The focus of new management is maintaining safe reliable infrastructure, customer and port accountability and creating a welcome atmosphere. New Weekly Operations Reports keep the Board and general public aware of port financial and physical conditions.

Port events are no longer a Port operation. Port now leases the ground for organizers to stage their events.

Board of Commissioners approved selling Port owned property to makeup missed payments to IFA due to the 2011 tsunami event.

Port requested three million dollars from State legislators to rebuild port infrastructure and receiving docks. State legislators approved \$600,000 for dock repairs only, from the Connect Oregon Lottery Fund. Port will not receive the funds until 2019.

Below are highlights that occurred within the revenue areas:

### **Gear and Boat Storage**

Boat trailer storage was moved away from the Green Building to a new location within the Port for better tracking and accountability of users. Commercial gear storage was replaced after the FEMA dredging project at the Ice House.

### **Ice House/Cold Storage**

Board of Commissioners approved the sale of Ice House and Cold Storage businesses to a local commercial fishing company. The businesses became ground lease income for the Port.

### **Marina – Basin 1 and Basin 2**

Basin 1 encountered severe weather conditions that continued the decline of usable moorage rental spaces. The normal life span for the dock infrastructure is 40 years. Currently, the docks may not last longer than 20 years.

Basin 2 encountered severe weather conditions that triggered more slopes to fail and are now impacting the docks as well as public access. The majority of docks that are now failing were thirty-five years old when replaced after the 2011 tsunami. Major reconstruction or new docks will be needed in the near future.

Section of the boardwalk shoring is failing that caused closure of the north end of the boardwalk. This was also brought on by severe weather.

### **Fuel Dock**

Fuel dock access ramp is closed due to failing slope and the Port not following engineered drawings. Fuel dock lines were also impacted by the failure and breakaway valves were added to the lines to prevent an environmental disaster.

### **RV Park**

RV Park Office, Laundromat and Mini-Mart building was shutdown due to failing electrical infrastructure and dilapidated structure. Laundromat and Mini-Mart were closed and not reopened. RV Park Office was relocated to the old shack to continue park operations.

### **Boat Yard**

Boatyard activity was shutdown for most of the year because of aging equipment and infrastructure a fifty ton travel lift was purchased and arrived in February. Repairs were made to the travel lift ramp. Dredging of the travel lift way was completed to provide full access for vessels getting hauled out.

Major cleanup and removal of abandon derelict vessels from the boatyard occurred. A public auction sale was completed to help remove unwanted equipment, materials and vessels.

### **Commercial Leases**

Three new leases were completed to fill unoccupied spaces.

Commercial receiving dock for Bandon Pacific (lease tenant) was closed because the substructure is failing. Bandon Pacific was relocated to the Port's public hoist for their access, which in turn, closed the Port's public hoist down until repairs can be made.

180 feet of new receiving dock was substantially completed and now operational at BC Fisheries new seafood processing plant.

The statement of net position compares the net position at the end of the fiscal year June 30, 2017 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, 2017</u>	<u>Restated June 30, 2016</u>	<u>Variance</u>
Current and other assets	\$ 1,890,330	\$ 311,653	\$ 1,578,677
Capital assets	<u>14,573,665</u>	<u>16,259,548</u>	<u>(1,685,883)</u>
Total assets	<u>16,435,995</u>	<u>16,571,201</u>	<u>(135,206)</u>
Current liabilities	598,546	2,894,592	(2,296,046)
Long-term liabilities	<u>7,987,817</u>	<u>6,513,875</u>	<u>1,473,942</u>
Total liabilities	<u>8,586,363</u>	<u>9,408,467</u>	<u>(822,104)</u>
Net investment in capital assets	8,938,932	10,030,766	(1,091,834)
Restricted	1,641,843	52,473	1,589,370
Unrestricted	<u>(2,703,143)</u>	<u>(2,920,505)</u>	<u>217,362</u>
Total net position	<u>\$ 7,877,632</u>	<u>\$ 7,162,734</u>	<u>\$ 714,898</u>

Restatement – Net Position for June 30, 2016 was restated to reflect net invested in capital assets net of debt principal only.

### Statement of Revenue, Expenses and Changes in Net Position

	<u>2017</u>	<u>2016</u>	<u>Variance</u>
Operating Revenues	\$ 2,281,980	\$ 2,877,869	\$ (595,889)
Non-Operating Revenues			
Property Taxes	244,178	192,859	51,319
Grants	2,963,826	206,572	2,757,254
Interest Income	315	345	(30)
Claim Settlement	<u>112,000</u>	<u>0</u>	<u>112,000</u>
Total Revenues	<u>5,602,299</u>	<u>3,277,645</u>	<u>2,324,654</u>
Operating Expenses	2,101,864	2,757,599	(655,735)
Depreciation	489,214	488,848	366
Non-Operating Expenses			
Interest Expense	243,121	249,202	(6,081)
Net Loss on Assets	<u>2,053,202</u>	<u>0</u>	<u>2,053,202</u>
Total Expenses	<u>4,887,401</u>	<u>3,495,649</u>	<u>(1,391,752)</u>
Changes in Net Position	714,898	(218,004)	932,902
Net Position - Beginning	<u>7,162,734</u>	<u>7,380,738</u>	<u>(218,004)</u>
Net Position - Ending	<u>\$ 7,877,632</u>	<u>\$ 7,162,734</u>	<u>\$ 714,898</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. Total expenses were under budget in all categories.

## Capital Assets

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

	<u>2017</u>	<u>Restated 2016</u>
Land and improvements	\$ 2,537,448	\$ 2,537,448
Idle and impaired assets	557,163	325,000
Construction in progress	1,537,646	1,000,297
Buildings and docks	9,471,729	11,918,842
Equipment	<u>469,679</u>	<u>477,961</u>
Total	<u>\$14,573,665</u>	<u>\$16,259,548</u>

Restatement reflects the recategorizes of idle and impaired assets from construction in progress.

As shown in the table above, the Port's net capital assets decreased by \$1,685,883 during the current year.

Current year activity includes acquiring a travel lift, a Ford truck and work in progress on the docks. To cease the drain on funds, the cold storage and ice house were sold.

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

## Debt Administration

In the 2016-2017 fiscal year the Port made a majority 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. This year the Port was able to pay off one of the IFA interium loans with proceeds from ODOT of \$1,162,051.

## Economic Outlook

During the 2016-2017 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 could 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, 2017

**ASSETS**

**Current Assets**

Cash and cash equivalents	\$ 95,426
Cash and cash equivalents - restricted	134,671
Accounts receivable	42,639
Grant receivable - restricted	1,562,157
Property taxes receivable	22,893
Prepaid expenses	8,230
Inventory	<u>24,314</u>
Total current assets	<u>1,890,330</u>

**Capital Assets**

Land	2,537,448
Buildings and equipment (net of depreciation)	<u>12,036,217</u>
Total capital assets	<u>14,573,665</u>
Total assets	<u>16,463,995</u>

**LIABILITIES AND NET POSITION**

**Current Liabilities**

Accounts payable	29,740
Accounts payable, payable from restricted	30,625
Compensated absences	22,831
Unearned revenue	44,555
Deposits payable	12,047
Accrued interest payable, payable from restricted	81,705
Current portion of long-term debt	<u>377,043</u>
Total current liabilities	<u>598,546</u>

**Long-term Liabilities**

Accrued interest payable	2,730,127
Long-term debt	<u>5,257,690</u>
Total long-term liabilities, payable from restricted assets	<u>7,987,817</u>
Total liabilities	<u>8,586,363</u>

**Net Position**

Net investment in capital assets	8,938,932
Restricted	
Debt service	1,635,887
Capital projects	5,956
Unrestricted	<u>(2,703,143)</u>
Total net position	<u>\$ 7,877,632</u>

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, 2017**

<b>OPERATING REVENUES</b>	
Moorages and fees	\$ 581,462
Rental and leases	1,037,030
Fuel sales	444,877
Ice house and cold storage	107,287
Miscellaneous	<u>111,324</u>
 Total operating revenues	 <u>2,281,980</u>
<b>OPERATING EXPENSES</b>	
Cost of services	2,101,864
Depreciation	<u>489,214</u>
 Total operating expenses	 <u>2,591,078</u>
 Total Operating Income (Loss)	 <u>(309,098)</u>
<b>NONOPERATING REVENUE (EXPENSES)</b>	
Property taxes	244,178
Grants	2,963,826
Interest income	315
Interest expense	(243,121)
Claim settlements	112,000
Net loss on asset dispositions	<u>(2,053,202)</u>
 Total nonoperating revenue (expense)	 <u>1,023,996</u>
 Change in Net Position	 714,898
 NET POSITION - Beginning of year	 <u>7,162,734</u>
 NET POSITION - End of year	 <u>\$ 7,877,632</u>

See accompanying notes to financial statements.

**PORT OF BROOKINGS HARBOR, OREGON**

STATEMENT OF CASH FLOWS for the Year Ended June 30, 2017

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash receipts from customers	\$ 2,430,418
Cash payments for goods and services	(1,959,916)
Cash payments for employees and benefits	<u>(539,951)</u>
Net cash provided (used) by operating activities	<u>(69,449)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Taxes collected	221,285
Cash received from note payable	<u>20,249</u>
Net cash provided (used) by noncapital financing activities	<u>241,534</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition and reallocation of capital assets	(906,289)
Grant proceeds	1,401,669
Loan proceeds	1,011,489
Principal paid on debt	(1,605,538)
Interest paid on debt	(81,401)
Sale of capital assets	50,268
Settlement claims	<u>112,000</u>
Net cash provided (used) by capital and related financing activities	<u>(17,802)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest income	<u>315</u>
Net cash provided (used) by investing activities	<u>315</u>
Net increase (decrease) in cash and cash equivalents	154,598
<b>Cash and cash equivalents - Beginning of year (restricted \$52,476)</b>	<u>75,499</u>
<b>Cash and cash equivalents - End of year (restricted \$134,671)</b>	<u>\$ 230,097</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	
Operating income (loss)	\$ (309,098)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities	
Depreciation	489,214
(Increase) decrease in operating assets	
Accounts receivable	148,438
Inventory	(13,567)
Prepaid expenses	5,851
Increase (decrease) in operating liabilities	
Accounts payable	(459,806)
Accrued payroll liabilities	37,346
Deposits payable	12,047
Unearned revenue	<u>20,126</u>
	<u>\$ (69,449)</u>
Supplemental cash flow information:	
Schedule of non-cash transactions:	
Trade-in value of exchanged asset applied to principal of new acquisition	<u>\$ (19,550)</u>
Net non-cash transactions	<u>\$ (19,550)</u>

See accompanying notes to financial statements.

## **PORT OF BROOKINGS HARBOR, OREGON**

### **NOTES TO FINANCIAL STATEMENTS as of June 30, 2017**

#### **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.

#### **Measurement Focus, Presentation and Accounting**

The Port maintains four funds for operations; however it 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 and 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. This measurement focus provides that all assets and liabilities associated with operations are included on the Statement of Net Position.

#### **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.

#### **Interfund Transactions**

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.

**PORT OF BROOKINGS HARBOR, OREGON**

**NOTES TO FINANCIAL STATEMENTS**  
as of June 30, 2017

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

**Interfund Transactions**

All other interfund transactions are reported as transfers in the budget schedules. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. As a general rule the effect of interfund activity is eliminated from the government-wide financial statements.

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**

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.

The Port's investment policies are governed by Oregon statutes. The statutes allow 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.



**PORT OF BROOKINGS HARBOR, OREGON**

**NOTES TO FINANCIAL STATEMENTS**  
as of June 30, 2017

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

**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.

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 - 40 years

**Fair Value**

The Port categorizes fair value measurements within the hierarchy established by GASB Statement 72. Hierarchy is based on the inputs used to measure the fair value of an asset. Observable inputs are based on market data obtained from sources independent of the reporting entity. Unobservable inputs are based on the best information available about assumptions used in pricing the asset. The classifications are as follows:

- Level 1 - Quoted prices for identical investments in the active market.
- Level 2 - Observable inputs other than quoted market prices.
- Level 3 - Unobservable inputs.

The Port does not hold Level 1 or 3 investments. See Note 6 - Capital Assets.

**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.

**PORT OF BROOKINGS HARBOR, OREGON**

**NOTES TO FINANCIAL STATEMENTS**  
as of June 30, 2017

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

**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.

**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: personnel 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 resolutions. The supplemental budget, created when expenditures greater than 10% of the fund's original budget are needed, 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 transfers by \$570,896. The overage occurred when setting up the individual funds midyear. The Debt Service Fund overexpended by \$1,252,141 when unforeseen funds became available.

**NOTE 3 - DEPOSITS**

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

	<u>Balance</u>	<u>Unrestricted</u>	<u>Restricted</u>
Cash and cash equivalents	\$ 230,097	\$ 95,426	\$ 134,671

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

	<u>Balance</u>
Cash on hand	\$ 1,347
Checking	155,017
Money market	73,733
Total cash and investments	\$ 230,097

At the end of the fiscal year, the Port's total deposits with financial institutions have a bank value of \$246,239.

**PORT OF BROOKINGS HARBOR, OREGON**

**NOTES TO FINANCIAL STATEMENTS**  
as of June 30, 2017

**NOTE 3 - DEPOSITS - Continued**

*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>	<u>Restricted</u>	<u>Unrestricted</u>
Accounts receivable	\$ 42,639	\$ 0	\$ 42,639
Property taxes	22,893	0	22,893
Grant receivable - Note 7	<u>1,562,175</u>	<u>1,562,175</u>	<u>0</u>
Total receivables	<u>\$ 1,627,707</u>	<u>\$1,562,175</u>	<u>\$ 65,532</u>

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

**NOTE 5 - INTERFUND TRANSFERS**

**Transfers**

The following is a breakdown of interfund transfers:

	<u>Source</u>	<u>Use</u>
General Fund	\$ 982,859	\$ 0
Debt Service Fund	0	554,217
Revenue Bond Fund	0	177,152
Capital Project Fund	<u>0</u>	<u>251,490</u>
Total	<u>\$ 982,859</u>	<u>\$ 982,859</u>

Annually transfers are from the General Fund to service debt in Debt Service and the Revenue Bond Fund or to support the Capital Projects Fund. Budgeted transfers were \$411,963 for the current year. In this year, the Port setup separate bank accounts to provide more transparency of the four individual funds. This process included transferring additional funds totaling \$570,896 from the General Fund that was not budgeted.

**Interfund Loan**

	<u>Debt</u>	<u>Credit</u>
General Fund	\$ 24,360	\$ 0
Capital Projects	0	24,360

The purpose of this loan was to allow Capital Projects to pay obligations. The loan is outstanding at year end.

**PORT OF BROOKINGS HARBOR, OREGON**

**NOTES TO FINANCIAL STATEMENTS**  
as of June 30, 2017

**NOTE 6 - CAPITAL ASSETS**

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

	<u>Reallocation 7/01 Balance</u>	<u>Reallocation Increase</u>	<u>Decrease</u>	<u>6/30 Balance</u>
Capital assets not being depreciated				
Land and improvements	\$ 2,537,448	\$ 0	\$ 0	\$ 2,537,448
Construction in progress	1,000,297	537,349	0	1,537,646
Idle and impaired assets	<u>325,000</u>	<u>232,163</u>	<u>0</u>	<u>557,163</u>
Total non-depreciable	<u>3,862,745</u>	<u>769,512</u>	<u>0</u>	<u>4,632,257</u>
Capital assets being depreciated				
Buildings and dock	17,537,960	0	(3,033,036)	14,504,924
Equipment	<u>1,246,478</u>	<u>369,451</u>	<u>(1,055,496)</u>	<u>560,433</u>
Total depreciable at historical cost	<u>18,784,438</u>	<u>369,451</u>	<u>(4,088,532)</u>	<u>15,065,357</u>
Accumulated depreciation				
Buildings and dock	(5,619,117)	(404,873)	990,795	(5,033,195)
Equipment	<u>(768,517)</u>	<u>(84,341)</u>	<u>762,104</u>	<u>(90,754)</u>
Total accumulated depreciation	<u>(6,387,634)</u>	<u>(489,214)</u>	<u>1,752,899</u>	<u>(5,123,949)</u>
Total depreciable, net	<u>12,396,804</u>	<u>\$ (119,763)</u>	<u>\$(2,335,633)</u>	<u>9,941,408</u>
Capital assets, net	<u>\$16,259,549</u>			<u>\$14,573,665</u>

Current year depreciation is \$489,214. Opening balance reflects the reallocation of the Idle Asset - Green Building from construction in progress.

**Disclosure**

**Idle Asset - Green Building**

The Green 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.

**Idle Asset - Docks**

Transferred to idle and impaired assets is the portion of the Port's dock which was deemed impaired. This portion, as determined by the Port, has a carrying value of \$232,163. While the Port does intend to repair the dock assets to usable condition, at the end of the current fiscal year they were not in use and appropriately the Port halted their depreciation.

**PORT OF BROOKINGS HARBOR, OREGON**

**NOTES TO FINANCIAL STATEMENTS**  
as of June 30, 2017

**NOTE 7 - LONG TERM DEBT**

The Port's long-term debt includes a revenue bond, ten 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.

6/30  
Balance

Total Revenue Bond \$ 1,287,802

Revenue bond debt service requirements to maturity:

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Future Requirements</u>
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	79,919	50,202	130,121
2023-27	463,682	186,921	650,603
2028-32	<u>460,813</u>	<u>58,873</u>	<u>519,686</u>
Totals	<u>\$1,287,802</u>	<u>\$ 533,090</u>	<u>\$ 1,820,892</u>

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

	<u>6/30 Balance</u>
IFA #040-172, payable in quarterly installments, including interest of 5%, until paid in the 2022 fiscal year, secured by land.	\$ 150,520
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.	91,043
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.	100,779
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.	256,004

**PORT OF BROOKINGS HARBOR, OREGON**

**NOTES TO FINANCIAL STATEMENTS**  
as of June 30, 2017

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

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

	<u>6/30 Balance</u>
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.	226,306
IFA #040-176, payable in quarterly installments, including interest of 7%, until paid in the 2024 fiscal year, secured by land.	331,325
IFA Special Public Works Fund L02009, payable in quarterly installments, including interest of 5%, until paid in the 2027 fiscal year, secured by improvements.	896,988
IFA #040-181, payable in quarterly installments, including interest of 4.88%, until paid in the 2024 fiscal year, secured by improvements.	219,127
IFA Special Public Works Fund X03004, payable in quarterly installments, including interest of 4.88%, until paid in the 2022 fiscal year, secured by improvements.	238,932
IFA Financing Contract L16010. Draw downs up to \$1,562,157, 3.3% interest begins to accrue on December 1, 2017. Current year draws were \$687,289. Annual payments of principal plus interest begin December 1, 2018, with interest accrual starting December 1, 2017. See Grant agreement Note 7.	<u>1,520,579</u>
Total IFA Obligations	<u>\$ 4,031,603</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 commenced 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.

The Port was current on its obligation until March of 2011, when it 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. Today, the Port is current on its quarterly payments, but still is behind the six suspended quarters. Efforts are being made to pay the suspended payments as well as meet current year obligations.

**Grant Receivable**

IFA Loan L16010 - This loan with the State of Oregon was taken out to continue the repair and improvement of the docks. The loan was not to exceed \$1,562,157 and it was confirmed that at year end the Port was to receive proceeds from the State of Oregon of \$1,562,157 to pay off this loan.

**PORT OF BROOKINGS HARBOR, OREGON**

**NOTES TO FINANCIAL STATEMENTS**  
as of June 30, 2017

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

**Payment Modifications - Current Year**

**IFA Business**

State of Oregon debt service requirements to maturity:

Fiscal Year <u>Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Future Requirements</u>
2018	\$ 273,389	\$ 3,126	\$ 276,515
2019	291,528	52,776	344,304
2020	293,489	51,815	345,304
2021	274,695	48,156	322,851
2022	502,651	100,694	603,345
2023-27	1,478,466	353,652	1,832,117
2028-32	420,988	126,399	547,387
2033-37	<u>496,397</u>	<u>50,989</u>	<u>547,387</u>
Totals	<u>\$ 4,031,603</u>	<u>\$ 787,607</u>	<u>\$ 4,819,210</u>

**IFA Payments**

Presently the Port is making quarterly payments of \$62,042 to service IFA's now ten obligations. In the current year, the Port exceeded its quarterly payment requirements to IFA and in addition Loan L12001 was paid off with the proceeds from the ODOT sale.

In approximately eleven years after the last payment satisfies the principal balance due, interest payments will begin.

**Notes Payable**

In March of 2017, 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 is exchanged for monthly rent, netting a monthly cash obligation of \$72 on the loan. Payoff of the loan is in 2037.	\$ 16,920
In October of 2016, the Port purchased a Travel Lift, of which \$324,200 was financed. Monthly payments of \$4,659 including 5.502% interest commenced in November. Final payoff of the principal balance is scheduled in 2024.	<u>298,408</u>
Total notes payable	<u>\$ 315,328</u>

6/30  
Balance

**PORT OF BROOKINGS HARBOR, OREGON**

**NOTES TO FINANCIAL STATEMENTS**  
as of June 30, 2017

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

**Notes Payable**

Notes payable and service requirements to maturity:

<u>Fiscal Year</u> <u>Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Future</u> <u>Requirements</u>
2018	\$ 37,905	\$ 14,208	\$ 52,113
2019	43,456	13,316	56,772
2020	45,859	10,913	56,772
2021	48,399	8,373	56,772
2022	51,081	5,691	56,772
2023-27	80,348	3,175	83,523
2028-32	4,320	0	4,320
2033	3,960	0	3,960
Total	<u>\$ 315,328</u>	<u>\$ 55,676</u>	<u>\$ 371,004</u>

**Changes in Long-Term Debt**

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

	<u>7/1</u> <u>Balance</u>	<u>Additions</u>	<u>Adjustments</u> <u>&amp; Reductions</u>	<u>6/30</u> <u>Balance</u>	<u>Due in</u> <u>One Year</u>
Revenue Bond, Series 2000	\$1,350,402	\$ 0	\$ 62,600	\$1,287,802	\$ 65,749
IFA	4,846,738	687,289	1,502,424	4,031,603	273,389
Notes payable	31,642	324,200	40,514	315,328	37,905
Totals	<u>\$6,228,782</u>	<u>\$1,011,489</u>	<u>\$ 1,605,538</u>	<u>\$5,634,733</u>	<u>\$377,043</u>

Interest expense for the year was \$243,121. 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:

<u>Year Ending</u> <u>June 30,</u>	<u>Balance</u>
2018	\$ 477,761
2019	416,467
2020	288,845
2021	185,074
2022	95,827
Thereafter	<u>1,030,247</u>
Total	<u>\$2,494,221</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, 2017

**NOTE 9 - UNEARNED REVENUE**

At year end the Port's balance of unearned revenue consisted entirely of prepaid customer accounts and leases, in the amount of \$44,555.

**NOTE 10 - MISCELLANEOUS REVENUE**

Miscellaneous revenue for the year consists of the following:

	<u>Balance</u>
Special events	\$ 72,568
Other various	<u>38,756</u>
Total	<u>\$ 111,324</u>

**NOTE 11 - OTHER INFORMATION**

**Commitments**

On June 28, the Port signed a sale agreement and receipted in earnest money for a small parcel of real property. The sale is for \$45,000.

**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**

*General*

The Port has evaluated subsequent events through November 21, 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, 2017**

**GENERAL FUND**

	Original and Final Budget	Actual	Variance
<b>REVENUES</b>			
Property taxes	\$ 210,000	\$ 244,178	\$ 34,178
RV Park	589,760	563,943	(25,817)
Moorage and launch	702,153	581,462	(120,691)
Dredging	285,000	0	(285,000)
Asset sale	0	7,552	7,552
Ice house	200,000	88,065	(111,935)
Rentals	325,000	473,087	148,087
Cold storage	70,000	19,222	(50,778)
Miscellaneous	491,500	155,216	(336,284)
Claim settlements	0	112,000	112,000
Grants	0	1,008,290	1,008,290
Fuel sales	720,000	444,877	(275,123)
Total revenues	<u>3,593,413</u>	<u>3,697,892</u>	<u>104,479</u>
<b>EXPENDITURES</b>			
Personnel services	799,763	546,672	253,091
Materials and services	2,685,212	1,788,766	896,446
Contingency	92,209	0	92,209
Total expenditures	<u>3,577,184</u>	<u>2,335,438</u>	<u>1,241,746</u>
Excess (def) of revenues over expenditures	16,229	1,362,454	1,346,225
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers to other funds	<u>(411,963)</u>	<u>(982,859)</u>	<u>(570,896)</u>
Excess (def) of revenues over expenditures and transfer	(395,734)	379,595	775,329
FUND BALANCE - Beginning of year (Budget)	<u>395,734</u>	<u>(270,904)</u>	<u>(666,638)</u>
FUND BALANCE - End of year (Budget)	<u>\$ 0</u>	108,691	<u>\$ 108,691</u>
<b>GAAP ADJUSTMENTS - Reconciled to June 30, 2016</b>		7,381,165	
Capital asset activity			
Additions		906,800	
Disposals		(2,103,470)	
Depreciation		(489,214)	
Long-term debt activity			
Principal payments		1,605,538	
Loan proceeds		(1,011,489)	
Interest accrued		<u>(162,232)</u>	
FUND BALANCE - End of year (GAAP)		<u>\$ 6,235,789</u>	

**PORT OF BROOKINGS HARBOR, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2017**

**DEBT SERVICE FUND**

	Original and Final Budget	Actual	Variance
	<u>          </u>	<u>          </u>	<u>          </u>
<b>REVENUES</b>	\$ 0	\$ 0	\$ 0
<b>EXPENDITURES</b>			
Principal payments	292,568	1,544,709	(1,252,141)
Interest payments	<u>13,535</u>	<u>13,369</u>	<u>166</u>
Total expenditures	<u>306,103</u>	<u>1,558,078</u>	<u>(1,251,975)</u>
Excess (def) of revenues over expenditures	<u>(306,103)</u>	<u>(1,558,078)</u>	<u>(1,251,975)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers from other funds	306,103	554,217	(248,114)
Loan proceeds	0	1,011,489	(1,011,489)
Grant proceeds	<u>0</u>	<u>1,562,157</u>	<u>(1,562,157)</u>
Total other financing sources (uses)	<u>306,103</u>	<u>3,127,863</u>	<u>(2,821,760)</u>
Excess (def) of revenues over expenditures and transfers	0	1,569,785	1,569,785
FUND BALANCE - Beg. of year (Budget)	<u>0</u>	<u>6,058</u>	<u>6,058</u>
FUND BALANCE - End of year (Budget)	<u>\$ 0</u>	<u>\$ 1,575,843</u>	<u>\$ 1,575,843</u>

**PORT OF BROOKINGS HARBOR, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2017**

**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	56,796	62,600	(5,804)
Bond interest	<u>73,324</u>	<u>67,520</u>	<u>5,804</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>140,120</u>	<u>177,152</u>	<u>37,032</u>
Excess (def) of revenues over expenditures and transfers	10,000	47,032	37,032
Unappropriated ending fund balance	(13,012)	0	13,012
FUND BALANCE - Beginning of year (Budget)	<u>13,014</u>	<u>13,012</u>	<u>(2)</u>
FUND BALANCE - End of year (Budget)	<u>\$ 10,002</u>	<u>\$ 60,044</u>	<u>\$ 50,042</u>

**PORT OF BROOKINGS HARBOR. OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2017**

**CAPITAL PROJECTS FUND**

	Original and Final Budget	Actual	Variance
<b>REVENUES</b>			
Grants	\$ 2,066,982	\$ 393,379	\$ (1,673,603)
<b>EXPENDITURES</b>			
Capital outlay	<u>2,066,982</u>	<u>672,316</u>	<u>1,394,666</u>
Excess (def) of revenues over expenditures	0	(278,937)	(278,937)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers from General Fund	<u>0</u>	<u>251,490</u>	<u>251,490</u>
Excess (def) of revenues over expenditures and transfers	0	(27,447)	(27,447)
FUND BALANCE - Beginning of year (Budget)	<u>0</u>	<u>33,403</u>	<u>33,403</u>
FUND BALANCE - End of year (Budget)	<u>\$ 0</u>	<u>\$ 5,956</u>	<u>\$ 5,956</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, 2017**

	<u>Total</u> <u>Revenues</u>	<u>Total</u> <u>Expenditures</u>	<u>Net</u>
<b>Budgetary Basis</b>			
General Fund	\$ 3,697,892	\$ 3,318,297	\$ 379,595
Debt Service Fund	3,127,863	1,558,078	1,569,785
Revenue Bond Fund	177,152	130,120	47,032
Capital Projects Fund	<u>644,869</u>	<u>672,316</u>	<u>(27,447)</u>
 Total budgetary basis	 <u>\$ 7,647,776</u>	 <u>\$ 5,678,811</u>	 1,968,965
 <b>Add (Deduct) Items to Reconcile to Net Income on a Financial Reporting Basis</b>			
Capital asset activity			
Additions			906,800
Disposals			(2,103,470)
Depreciation			(489,214)
Long-term debt activity			
Principal payments			1,605,538
Loan proceeds			(1,011,489)
Interest accrued			<u>(162,232)</u>
 Change in net position			 714,898
 NET POSITION - Beginning of year			 <u>7,162,734</u>
 NET POSITION - End of year			 <u>\$ 7,877,632</u>



**PORT OF BROOKINGS HARBOR  
OREGON**

**COMPLIANCE SECTION**

# GRIMSTAD & ASSOCIATES

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

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, 2017, 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 November 21, 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 grant agreements, 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:

## Over Expended

The General Fund over expended in transfers by \$570,896. The majority of this overage occurred when setting up the individual funds midyear. The Revenue Bond Fund budget was out of balance by \$10,002.

The Debt Service Fund over expended debt service by \$1,252,141 payable from unforeseen nontax funds. This expenditure would have been an exception under ORS294.338 had the Board authorized the expenditure under a resolution.

As of June 30, 2017 there is an interfund loan between the General Fund and Capital Projects Fund. This was not budgeted to be repaid in the year 2017-18.

## 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. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## Purpose of This Report

This report is intended solely for the information and use 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  
Newport, Oregon  
November 21, 2017

# GRIMSTAD & ASSOCIATES

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## **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, 2017, 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 November 21, 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. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

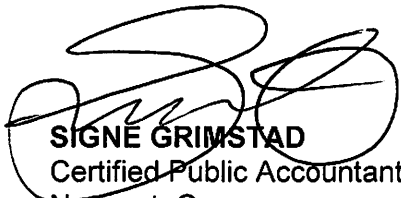
The Port's response to the prior finding identified in my audit is described in the accompanying schedule of prior findings and Port response. I did not audit the Port's response and, accordingly, I express no opinion on it.

### **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 grant 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  
Newport, Oregon  
November 21, 2017

**PORT OF BROOKINGS HARBOR, OREGON**

**SCHEDULE OF PRIOR FINDINGS AND PORT RESPONSE  
for the Year Ended June 30, 2017**

**FINDINGS - FINANCIAL STATEMENT AUDIT - June 30, 2017**

**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 - Material Weakness**

Finding same as 2014.

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

**2016-1 General Ledger - Material Weakness**

Finding same as 2015.

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

**FINDINGS - FINANCIAL STATEMENT AUDIT - June 30, 2017**

In current year, the Port expanded its chart of accounts and was able to provide four self-balancing funds. This addresses the material weaknesses finding noted in prior years.