



PORT OF NEHALEM
Nehalem, Oregon

ANNUAL FINANCIAL REPORT

June 30, 2020



Accuity
Where accuracy meets integrity
CERTIFIED PUBLIC ACCOUNTANTS

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PORT OF NEHALEM
Nehalem, Oregon

PORT OFFICIALS

June 30, 2020

BOARD OF COMMISSIONERS

Steve Huber, President
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Nehalem, Oregon 97131

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Nehalem, Oregon 97131

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ADMINISTRATIVE SECRETARY/ REGISTERED AGENT

Gene Dieken
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Nehalem, Oregon 97131

PORT OF NEHALEM
Nehalem, Oregon

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FINANCIAL SECTION



INDEPENDENT ACCOUNTANT'S REVIEW REPORT

Board of Commissioners
Port of Nehalem
Nehalem, Oregon 97131

We have reviewed the accompanying modified cash financial statements of the governmental activities and each major fund of the Port of Nehalem, Nehalem, Oregon, as of June 30, 2020, and the related notes to the financial statements, which collectively comprise the Port's basic financial statements as listed in the table of contents.

A review includes primarily applying analytical procedures to management's financial data and making inquiries of the management of Port of Nehalem, Nehalem, Oregon. A review is substantially less in scope than an audit, the objective which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of financial statements in the circumstances. Management is also responsible for 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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with the Statements on Standards for the Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with the modified cash basis of accounting. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with the modified cash basis of accounting.

Basis of Accounting


We draw attention to Note I of the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our conclusion is not modified with respect to this matter.

Supplementary Information

Our review was made primarily for the purposes of expressing a conclusion that there are no material modifications that should be made to the financial statements in order for them to be in conformity with the modified cash basis of accounting. The budgetary comparison information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The information has been subjected to the review procedures applied in the review of the basic financial statements and we did not become aware of any material modifications that should be made to such information. We have not audited the supplementary information and do not express an opinion on such information

Accuity, LLC

By: 

Glen O. Kearns, CPA

Albany, Oregon
December 28, 2020

BASIC FINANCIAL STATEMENTS

PORT OF NEHALEM
Nehalem, Oregon

STATEMENT OF NET POSITION - MODIFIED CASH BASIS

June 30, 2020

	<u>Governmental Activities</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 1,088,863
Capital assets, net being depreciated	324,260
Capital assets, net of accumulated depreciation	<u>1,142,245</u>
Total assets	<u>2,555,368</u>
LIABILITIES	
Current liabilities	
Long-term liabilities, current portion	<u>3,937</u>
NET POSITION	
Net investment in capital assets	1,462,568
Unrestricted	<u>1,088,863</u>
Total net position	<u>\$ 2,551,431</u>

See accompanying notes and independent accountant's review report.

PORT OF NEHALEM
Nehalem, Oregon

STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For the Year Ended June 30, 2020

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>
Governmental activities	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Port operations	\$ 181,464	\$ 25,299	\$ 3,614	\$ -
General revenues				
Property taxes levied for general purposes				148,657
Timber sales				45,862
Investment income				<u>24,265</u>
Total general revenues				<u>218,784</u>
Change in net position				66,233
Net position - beginning				<u>2,485,198</u>
Net position - ending				<u>\$ 2,551,431</u>

See accompanying notes and independent accountant's review report.

PORT OF NEHALEM
Nehalem, Oregon

BALANCE SHEET - MODIFIED CASH BASIS

GOVERNMENTAL FUNDS

June 30, 2020

	General Fund	Channel Maintenance Reserve Fund	Equipment Reserve Fund	Property Maintenance Reserve Fund	Property Loan Debt Fund	Total Governmental Activities
ASSETS						
Cash and cash equivalents	\$ 94,970	\$ 888,065	\$ 78,773	\$ 26,151	\$ 904	\$ 1,088,863
FUND BALANCE						
Committed for:						
Channel maintenance	\$ -	\$ 888,065	\$ -	\$ -	\$ -	\$ 888,065
Future equipment purchases	-	-	78,773	-	-	78,773
Property maintenance	-	-	-	26,151	-	26,151
Debt service	-	-	-	-	904	904
Unassigned	<u>94,970</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>94,970</u>
Total fund balances	<u>\$ 94,970</u>	<u>\$ 888,065</u>	<u>\$ 78,773</u>	<u>\$ 26,151</u>	<u>\$ 904</u>	<u>\$ 1,088,863</u>

See accompanying notes and independent accountant's review report.

PORT OF NEHALEM
Nehalem, Oregon

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES

June 30, 2020

Total fund balances		\$ 1,088,863
Long-term liabilities not payable in the current year are not reported as governmental fund liabilities. Interest on long-term debt is not accrued in the governmental funds, but rather, is recognized as an expenditure when due. These liabilities consist of:		
Notes payable		(3,937)
Capital assets are not financial resources and are therefore reported in the governmental funds:		
Cost	3,809,313	
Accumulated depreciation	<u>(2,342,808)</u>	<u>1,466,505</u>
Net position of governmental activities		<u>\$ 2,551,431</u>

See accompanying notes and independent accountant's review report.

PORT OF NEHALEM
Nehalem, Oregon

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
MODIFIED CASH BASIS

GOVERNMENTAL FUNDS

For the Year Ended June 30, 2020

	General Fund	Channel Maintenance Reserve Fund	Equipment Reserve Fund	Property Maintenance Reserve Fund	Property Loan Debt Fund	Total Governmental
REVENUES						
Property taxes	\$ 148,657	\$ -	\$ -	\$ -	\$ -	\$ 148,657
Timber sales	45,862	-	-	-	-	45,862
Grants and contributions	3,614	-	-	-	-	3,614
Property leases	25,299	-	-	-	-	25,299
Investment earnings	9,709	14,556	-	-	-	24,265
Miscellaneous	-	-	-	-	-	-
Total revenues	<u>233,141</u>	<u>14,556</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>247,697</u>
EXPENDITURES						
Current						
Port operations	80,542	9,377	-	4,366	-	94,285
Debt service	-	-	-	-	30,048	30,048
Total expenditures	<u>80,542</u>	<u>9,377</u>	<u>-</u>	<u>4,366</u>	<u>30,048</u>	<u>124,333</u>
Excess (deficiency) of revenues over (under) expenditures	152,599	5,179	-	(4,366)	(30,048)	123,364
OTHER FINANCING SOURCES (USES)						
Transfers in	-	110,000	20,000	10,000	31,000	171,000
Transfers out	<u>(171,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(171,000)</u>
Total other financing sources (uses)	<u>(171,000)</u>	<u>110,000</u>	<u>20,000</u>	<u>10,000</u>	<u>31,000</u>	<u>-</u>
Net change in fund balance	(18,401)	115,179	20,000	5,634	952	123,364
Fund balances - beginning	<u>113,371</u>	<u>772,886</u>	<u>58,773</u>	<u>20,517</u>	<u>(48)</u>	<u>965,499</u>
Fund balances - ending	<u>\$ 94,970</u>	<u>\$ 888,065</u>	<u>\$ 78,773</u>	<u>\$ 26,151</u>	<u>\$ 904</u>	<u>\$ 1,088,863</u>

See accompanying notes and independent accountant's review report.

PORT OF NEHALEM
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RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2020

Net change in fund balances		\$	123,364
<p>Amounts reported for governmental activities in the statement of activities are different because:</p> <p>Long-term debt proceeds are reported as other financing sources in the governmental funds. In the statement of net position, however, issuing long-term debt increases liabilities. Similarly, repayment of principal is an expenditure in the governmental funds, but reduces the liability in the statement of net position.</p>			
Debt principal paid			28,769
<p>Governmental funds report capital outlay as expenditures; however, in the statement of activities, the costs of these assets are allocated over their estimated useful lives and are reported as depreciation expense. This is the difference between capital outlay expenditures and depreciation expense in the current period.</p>			
Expenditures for capital assets		-	
Depreciation expense recorded in the current year	(85,900)		(85,900)
	(85,900)		(85,900)
Change in net position		\$	66,233

See accompanying notes and independent accountant's review report.

NOTES TO BASIC FINANCIAL STATEMENTS

PORT OF NEHALEM
Nehalem, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statements of activities) report information on all of the activities of the Port. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported by the Port.

B. Reporting Entity

The Port of Nehalem, located in Nehalem, Oregon, is organized as an Oregon municipal corporation with duties of operating, maintaining, and improving the facilities for the benefit of the people in the Port's district. The Port is governed by five-member board of commissioners elected by voters.

C. Basis of Presentation - Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from all governmental funds. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

D. Basis of Presentation - Fund Financial Statements

The fund financial statements provide information about the government's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The Port reports the following major governmental funds:

General Fund - The General Fund is the Port's primary operating fund. It accounts for all financial resources of the Port except for those required to be accounted for in another fund. The primary sources of revenue are property taxes, property lease revenue, and timber sales apportionment.

Channel Maintenance Reserve Fund - The Channel Maintenance Reserve Fund is used to account for receipts and disbursements set aside for channel and riverbank maintenance, tug boat construction, and other major Port projects. The primary sources of revenue are transfers from the General Fund and investment income.

Equipment Reserve Fund - The Equipment Reserve Fund is used to account for receipts and disbursements set aside for equipment purchase and maintenance. The primary sources of revenue are transfers from the General Fund and investment income.

PORT OF NEHALEM
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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

Property Maintenance Reserve Fund - The Property Maintenance Reserve Fund is used to account for receipts and disbursements set aside for property maintenance. The primary sources of revenue are transfers from the General Fund and investment income.

Property Loan Debt Fund - The Property Loan Debt Fund is payment of principal and interest on long term obligations. The primary source of revenue is transfers from the General Fund.

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured, such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the economic resources measurement focus within the limitations of the modified cash basis of accounting, as described below. Governmental fund financial statements are reported using the current financial resources measurement focus. Only current financial assets and liabilities are generally included on the balance sheet. The operating statements present sources and uses of available expendable financial resources during a given period. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

In the government-wide financial statements and the fund financial statements, governmental activities are presented using the modified cash basis of accounting. This basis recognizes assets, liabilities, fund balance/net position, revenues, and expenditures when they result from cash transactions, with a provision for depreciation in the government-wide statements. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenues for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in the financial statements. If the Port utilized the basis of accounting recognized as generally accepted, the fund financial statements would use the modified accrual basis of accounting and the government-wide financial statements would be presented on the accrual basis of accounting.

During the course of operations, the government has activity between funds for various purposes. While these balances are reported in the fund financial statements, certain eliminations are made in preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column.

PORT OF NEHALEM
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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

F. Budgetary Information

The Port budgets all funds in accordance with the requirements of state law. Annual appropriated budgets are adopted for all of the Port's funds on the cash basis of accounting. The Port begins its budgeting process by appointing budget committee members. The budget officer prepares a budget, which is reviewed by the budget committee. The budget is then published in proposed form and is presented at public hearings to obtain taxpayer comments and approval from the budget committee. The board of commissioners legally adopts the budget by resolution prior to the beginning of the Port's fiscal year. The board resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. Total personnel services, materials and services, debt service, capital outlay, and contingency for each fund are the levels of control established by the resolution. The detailed budget document, however, is required to contain more specific detailed information for the aforementioned expenditure categories and management may revise the detailed line item budgets within appropriation categories.

Unexpected additional resources may be added to the budget through the use of a supplemental budget and appropriation resolution. The board of commissioners may adopt supplemental budgets less than 10% of a fund's original budget at a regular board meeting. A Draft supplemental budget greater than 10% of a fund's original budget requires hearings before the public, publication in newspapers, and approval by the board of commissioners. 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 of commissioners. During the year, there were no supplemental budgets. The Port does not use encumbrances, and appropriations lapse at year-end.

Budget amounts shown in the financial statements reflect the original budget amounts.

G. Assets, Liabilities, and Net Position/Fund Balance

1. Cash and Cash Equivalents

The Port's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of one year or less from the date of acquisition.

2. Investments

State statutes authorize the Port to invest in legally issued general obligations of the United States, the agencies and instrumentalities of the United States and the states of Oregon, Washington, Idaho, or California, certain interest-bearing bonds, time deposit open accounts, certificates of deposit, and savings accounts in banks, mutual savings banks, and savings and loan associations that maintain a head office or a branch in this state in the capacity of a bank, mutual savings bank, or savings and loan association, and share accounts and savings accounts in credit unions in the name of, or for the benefit of, a member of the credit union pursuant to a plan of deferred compensation.

PORT OF NEHALEM
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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

3. Capital Assets

Capital assets resulting from cash transactions, which include property, plant, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the Port as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost where no historical records exist.

The costs of normal maintenance or repairs that do not add to the value of an asset or materially extend its life are charged to expenditures as incurred and are not capitalized. Major capital outlays for capital assets and improvements are capitalized as projects are constructed.

Land and construction in progress are not depreciated. The other property, plant, and equipment of the government are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Equipment	2-20
Buildings	40
Jetty	50

4. Long-Term Obligations

In the government-wide financial statements, long-term debt is reported as a liability in the applicable governmental activities statement of net position. In the fund financial statements, the face amount of debt issued is reported as other financing sources.

5. Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

6. Fund Balance Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied.

PORT OF NEHALEM
Nehalem, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

7. Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The board of commissioners is the highest level of decision-making authority for the government that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for the specific purposes but do not meet the criteria to be classified as committed. The board may assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

The Port reports fund equity in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance - amounts that are in nonspendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

- Committed fund balance – amounts constrained to specific purposes by the Port itself, using its highest level of decision-making authority (i.e. board of commissioners). To be reported as committed, amounts cannot be used for any other purpose unless the Port takes the same highest-level action to remove or change the constraint.
- Assigned fund balance – amounts that Port intends to use for a specific purpose. Intent can be expressed by the board of commissioners or by an official or body to which the board of commissioners delegates authority.
- Unassigned fund balance – amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

The Port has not formally adopted a policy for commitment or assignment of unrestricted fund balance.

The Port has not formally adopted a minimum fund balance policy.

H. Revenues and Expenditures/Expenses

1. Program Revenues

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. Property Taxes

Under state law, county governments are responsible for extending authorized property tax levies, computing tax rates, billing and collecting all property taxes, and making periodic remittances of collection to entities levying taxes. Property taxes are levied and become a lien as of July 1 on property values assessed as of June 30. Property taxes are payable in three installments, which are due on November 15, February 15, and May 15.

I. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Excess of Expenditures Over Appropriations

The Port expended funds in excess of the amounts appropriated, which is in violation of ORS 294.100. The following appropriations were over-expended for the fiscal year ended June 30, 2020:

Fund	Function	Appropriation	Expenditure	Excess
Property Loan Debt Fund	Debt Service	\$ 30,000	\$ 30,048	\$ 48

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Cash Deposits with Financial Institutions

Port of Nehalem maintains a cash and cash equivalents pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the fund financial statements as cash and cash equivalents. Additionally, several funds held separate cash accounts. Interest earned on pooled cash and investments is allocated to participating funds based upon their combined cash and investment balances. Investments, including amounts held in pooled cash and investments, are stated at fair value. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, investments with a remaining maturity of more than one year at the time of purchase are stated at fair value.

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

Fair Value Measurement

Fair value is defined as the price that would be received to sell an asset or price paid to transfer a liability in an orderly transaction between market participants at the measurement date. Observable inputs are developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are developed based on the best information available about the assumptions market participants would use in pricing the asset.

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June 30, 2020

The classification of securities within the fair value hierarchy is based on the activity level in the market for the security type and the inputs used to determine their fair value, as follows:

- *Level 1* – Unadjusted quoted prices for identical investments in active markets.
- *Level 2* – Observable inputs other than quoted market prices; and,
- *Level 3* – Unobservable inputs.

There were no transfers of assets or liabilities among the three levels of the fair value hierarchy for the year ended June 30, 2020. Fair values of assets measured on a recurring basis at June 30, 2020 are as follows:

	Level 2
Investments:	
Oregon Local Government Investment Pool	<u>\$ 1,077,150</u>

Credit Risk

Oregon statutes authorize the Port to invest in obligations of the U.S. Treasury and U.S. agencies, bankers' acceptances, repurchase agreements, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, and the Local Government Investment Pool. The board may authorize the investment or reinvestment of funds that are not immediately needed for operations of the Port. Such investments will comply with state law and Oregon Administrative Rules.

Investments

As of June 30, 2020, the Port had the following investments:

	Credit Quality Rating	Maturities	Fair Value
Oregon Local Government Investment Pool	Unrated	-	<u>\$ 1,077,150</u>

Interest Rate Risk

The Port does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increases in interest rates.

Concentration of Credit Risk

The Port does not have a formal policy that places a limit on the amount that may be invested in any one insurer. 100 percent of the Port's investments are in the Oregon Local Government Investment Pool.

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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

Custodial Credit Risk - Investments

This is the risk that, in the event of the failure of counterparty, the Port will not be able to recover the value of its investments that are in the possession of an outside party. The Port does not have a policy that limits the amount of investments that can be held by counterparties.

Custodial Credit Risk - Deposits

This is the risk that, in the event of a bank failure, the Port's deposits may not be returned. All Port deposits not covered by Federal Depository Insurance Corporation (FDIC) insurance are covered by the Public Funds Collateralization Program (PFCP) of the State of Oregon, organized in accordance with ORS 295. The PFCP is a shared liability structure for participating bank depositories. Barring any exceptions, a bank depository is required to pledge collateral valued at a minimum of 10% of their quarter-end public fund deposits if they are considered well capitalized, 25% of their quarter-end public fund deposits if they are considered adequately capitalized, or 110% of their quarter-end public fund deposits if they are considered undercapitalized or assigned to pledge 110% by the Office of the State Treasurer. In the event of a bank failure, the entire pool of collateral pledged by all qualified Oregon public funds bank depositories is available to repay deposits of public funds of government entities.

The Port holds accounts at Columbia Bank and TLC Fibre Federal Credit Union, for which deposits are insured by the FDIC and NCUA, respectively, up to \$250,000. At June 30, 2020, the Port had deposits of \$17,755 insured by the FDIC and \$5 covered by the NCUA.

Deposits

The Port's deposits and investments at June 30, 2020 are as follows:

Checking accounts	\$ 11,708
Savings account	5
Total investments	<u>1,077,150</u>
Total cash and investments	<u><u>\$ 1,088,863</u></u>

Cash and investments by fund:

Governmental activities	
General Fund	\$ 94,970
Channel Maintenance Reserve Fund	888,065
Equipment Reserve Fund	78,773
Property Maintenance Reserve Fund	26,151
Property Loan Debt Fund	<u>904</u>
Total cash and investments	<u><u>\$ 1,088,863</u></u>

PORT OF NEHALEM
Nehalem, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

B. Capital Assets

Capital asset activity resulting from modified cash basis transactions for the year ended June 30, 2020 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 324,260	\$ -	\$ -	\$ 324,260
Capital assets being depreciated				
Buildings	171,991	-	-	171,991
Dock	28,800	-	-	28,800
Equipment	42,532	-	-	42,532
Improvements	250,500	-	-	250,500
Jetty	2,941,230	-	-	2,941,230
Tug boat	50,000	-	-	50,000
Total capital assets being depreciated	3,485,053	-	-	3,485,053
Less accumulated depreciation for				
Buildings	(57,478)	(4,456)	-	(61,934)
Dock	(20,160)	(1,440)	-	(21,600)
Improvements	(70,975)	(16,700)	-	(87,675)
Equipment	(29,434)	(1,979)	-	(31,413)
Jetty	(2,058,861)	(58,825)	-	(2,117,686)
Tug boat	(20,000)	(2,500)	-	(22,500)
Total accumulated depreciation	(2,256,908)	(85,900)	-	(2,342,808)
Total capital assets being depreciated, net	1,228,145	(85,900)	-	1,142,245
Governmental activities capital assets, net	\$ 1,552,405	\$ (85,900)	\$ -	\$ 1,466,505

Depreciation expense was charged to the functions/programs of the Port as follows:

Governmental activities	
Port operations	\$ 85,900

PORT OF NEHALEM
Nehalem, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

Capital assets are reported on the statement of net position as follows:

	Capital Assets	Accumulated Depreciation	Net Capital Assets
Business-type activities			
Land	\$ 324,260	\$ -	\$ 324,260
Buildings	171,991	(61,934)	110,057
Improvements	28,800	(21,600)	7,200
Docks	42,532	(87,675)	(45,143)
Equipment	250,500	(31,413)	219,087
Jetty	2,941,230	(2,117,686)	823,544
Tug boat	50,000	(22,500)	27,500
Total capital assets	<u>\$ 3,809,313</u>	<u>\$ (2,342,808)</u>	<u>\$ 1,466,505</u>

The Port leases a portion of capital assets, as discussed in Note III-E, under operating lease arrangements.

C. Interfund Transfers

Operating transfers are reflected as other financing sources (uses) in the governmental funds. Interfund transfers during the year ended June 30, 2020 consisted of the following:

	Transfers in:				Total
	Channel Reserve Fund	Equipment Reserve Fund	Property Maintenance Reserve Fund	Property Loan Debt Fund	
Transfers out:					
General Fund	<u>\$ 110,000</u>	<u>\$ 20,000</u>	<u>\$ 10,000</u>	<u>\$ 31,000</u>	<u>\$ 171,000</u>

D. Long-Term Liabilities

1. Changes in Long-Term Liabilities

The following is a summary of long-term liabilities transactions for the year:

	Interest Rate	Original Amount	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Note payable - Land contract	6.50%	<u>\$ 288,000</u>	<u>\$ 32,706</u>	<u>\$ -</u>	<u>\$ 28,769</u>	<u>\$ 3,937</u>	<u>\$ 3,937</u>

PORT OF NEHALEM
Nehalem, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

2. Governmental Activities - Interest Expense

Interest expense was charged to functions/programs of the Port as follows:

Governmental activities	
Port operations	<u>\$ 1,279</u>

3. Note Payable - Land Sale Contract

In July 2005, the Port entered into a land sale contract for the purchase of real property and improvements, which are pledged as collateral, subject to a note payable in the amount of \$288,000. The note calls for monthly payments of \$2,504 with interest at 6.5%. The note matures in July 2020. The General Fund has traditionally been used to liquidate long-term debt related to the note, however, during the year ended June 30, 2020, the Port created a new fund for purposes of liquidating this obligation.

4. Governmental Activity Future Maturities of Note Payable

Year Ending 06/30	Note Payable		
	Principal	Interest	Total
2021	<u>\$ 3,937</u>	<u>\$ 21</u>	<u>\$ 3,958</u>

E. Leasing Arrangements as Lessor

The Port of Nehalem has entered into several leasing arrangements that qualify as operating leases with tenants for rental of land and buildings owned by the Port. Currently, there are three tenants with contracts who rent on a month-to-month basis.

IV. OTHER INFORMATION

A. Risk Management

The Port is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the Port carries commercial insurance. There was no significant reduction in insurance coverage from the previous year. There were no insurance settlements exceeding insurance coverage in any of the past three years.

B. Subsequent Events

Management evaluates events and transactions that occur after the statement of net position date as potential subsequent events. Management has performed this evaluation through the date of the independent accountant's review report, which was the date that the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

PORT OF NEHALEM
Nehalem, Oregon

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

GENERAL FUND

For the Year Ended June 30, 2020

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual Cash Basis
REVENUES			
Property taxes	\$ 144,000	\$ 4,657	\$ 148,657
Timber sales	39,791	6,071	45,862
Grants and contributions	5,200	(1,586)	3,614
Property leases	24,100	1,199	25,299
Investment earnings	8,500	1,209	9,709
Miscellaneous	2,500	(2,500)	-
Total revenues	224,091	9,050	233,141
EXPENDITURES			
Current			
Personnel services	64,500	(25,247)	39,253
Materials and services	100,300	(59,011)	41,289
Capital outlay	12,000	(12,000)	-
Contingency	40,000	(40,000)	-
Total expenditures	216,800	(136,258)	80,542
Excess (deficiency) of revenues over (under) expenditures	7,291	145,308	152,599
OTHER FINANCING SOURCES (USES)			
Transfers out	(171,000)	-	(171,000)
Net change in fund balance	(163,709)	145,308	(18,401)
Fund balance - beginning	857,088	(743,717)	113,371
Fund balance - ending	\$ 693,379	\$ (598,409)	\$ 94,970

See independent accountant's review report.

PORT OF NEHALEM
Nehalem, Oregon

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

CHANNEL MAINTENANCE RESERVE FUND

For the Year Ended June 30, 2020

	Original Budget	Final Budget	Variance with Final Budget Over (Under)	Actual Cash Basis
REVENUES				
Investment earnings	\$ 10,000	\$ 10,000	\$ 4,556	\$ 14,556
EXPENDITURES				
Current				
Materials and services	923,326	740,000	(730,623)	9,377
Capital outlay	-	63,326	(63,326)	-
Total expenditures	<u>923,326</u>	<u>803,326</u>	<u>(793,949)</u>	<u>9,377</u>
Excess (deficiency) of revenues over (under) expenditures	(913,326)	(793,326)	798,505	5,179
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>110,000</u>	<u>110,000</u>	-	<u>110,000</u>
Net change in fund balance	(803,326)	(683,326)	798,505	115,179
Fund balance - beginning	<u>803,326</u>	<u>803,326</u>	<u>(30,440)</u>	<u>772,886</u>
Fund balance - ending	<u><u>\$ -</u></u>	<u><u>\$ 120,000</u></u>	<u><u>\$ 768,065</u></u>	<u><u>\$ 888,065</u></u>

See independent accountant's review report.

PORT OF NEHALEM
Nehalem, Oregon

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

EQUIPMENT RESERVE FUND

For the Year Ended June 30, 2020

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual Cash Basis
REVENUES			
Investment earnings	\$ -	\$ -	\$ -
EXPENDITURES			
Capital outlay	<u>87,500</u>	<u>(21,000)</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	(87,500)	21,000	-
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>20,000</u>	<u>-</u>	<u>20,000</u>
Net change in fund balance	(67,500)	21,000	20,000
Fund balance - beginning	<u>67,500</u>	<u>(8,727)</u>	<u>58,773</u>
Fund balance - ending	<u><u>\$ -</u></u>	<u><u>\$ 12,273</u></u>	<u><u>\$ 78,773</u></u>

See independent accountant's review report.

PORT OF NEHALEM
Nehalem, Oregon

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

PROPERTY MAINTENANCE RESERVE FUND

For the Year Ended June 30, 2020

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual Cash Basis
REVENUES			
Investment earnings	\$ -	\$ -	\$ -
EXPENDITURES			
Current			
Materials and services	10,000	(5,634)	4,366
Excess (deficiency) of revenues over (under) expenditures	(10,000)	5,634	(4,366)
OTHER FINANCING SOURCES (USES)			
Transfers in	10,000	-	10,000
Net change in fund balance	-	5,634	5,634
Fund balance - beginning	19,575	942	20,517
Fund balance - ending	\$ 19,575	\$ 6,576	\$ 26,151

See independent accountant's review report.

PORT OF NEHALEM
Nehalem, Oregon

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

PROPERTY LOAN DEBT FUND

For the Year Ended June 30, 2020

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual Cash Basis
REVENUES	\$ -	\$ -	\$ -
EXPENDITURES			
Debt service	30,000	48	30,048
Total expenditures	30,000	48	30,048
Excess (deficiency) of revenues over (under) expenditures	(30,000)	(48)	(30,048)
OTHER FINANCING SOURCES (USES)			
Transfers in	31,000	-	31,000
Net change in fund balance	1,000	(48)	952
Fund balance - beginning (deficit)	-	(48)	(48)
Fund balance - ending	\$ 1,000	\$ (96)	\$ 904

See independent accountant's review report.

**REVIEW REPRESENTATIONS
REQUIRED BY STATE REGULATIONS**

**MANAGEMENT’S REPRESENTATION OF FISCAL AFFAIRS
REQUIRED BY OREGON REGULATION**

Accuity, LLC
Certified Public Accountants
436 First Ave W
Albany, OR 97321

The Port of Nehalem is subject to, and responsible for, compliance with various laws, rules, and regulations relating to its operations and finances. Among such laws, rules, and regulations are the requirements prescribed in Municipal Audit Law (ORS Chapter 297) and the Minimum Standards for Review of Oregon Municipal Corporations (OAR 162, Division 40) including, but not limited to:

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)

The management of Port of Nehalem is aware of the requirements of Oregon laws and administrative rules concerning each of the above requirements and has complied, in all material respects, with such requirements.

Further, except as noted below, we are not aware of any violations or possible violations of laws, rules, or regulations, whose effect should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.

A. Excess of Expenditures Over Appropriations

The Port expended funds in excess of the amounts appropriated, which is in violation of ORS 294.100. The following appropriations were over-expended for the fiscal year ended June 30, 2020:

<u>Fund</u>	<u>Function</u>	<u>Appropriation</u>	<u>Expenditure</u>	<u>Excess</u>
Property Loan Debt Fund	Debt Service	\$ 30,000	\$ 30,048	\$ 48

Steve J Huber
Signature

President
Name and Title

12/28/20
Date