

PORT OF TILLAMOOK BAY, OREGON

FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED
JUNE 30, 2021 & 2020

PORT OF TILLAMOOK BAY, OREGON
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INTRODUCTORY SECTION

PORT OF TILLAMOOK BAY, OREGON

PRINCIPAL OFFICIALS

June 30, 2021

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

The Board of Commissioners
Port of Tillamook Bay
Tillamook, Oregon

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the Port of Tillamook Bay, as of and for the year ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise Port of Tillamook Bay's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the Port of Tillamook Bay, as of June 30, 2021 and 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (GAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Port of Tillamook Bay, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

The Port of Tillamook Bay's 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, and 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.

In approving the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Port of Tillamook Bay's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and GAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as

fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and GAS, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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 Port of Tillamook Bay's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Port of Tillamook Bay's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis and schedule of proportionate share of the net pension liability, schedule of contributions, schedule of proportionate share – RHIA, schedule of contributions – RHIA, schedule of changes in total OPEB liability and related ratios – SDIS, and schedule of contributions – SDIS, as listed in the table of contents under required supplementary information, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the management's discussion and analysis, schedule of proportionate share of the net pension liability, schedule of contributions, schedule of proportionate share – RHIA, schedule of contributions – RHIA, schedule of changes in total OPEB liability and related ratios – SDIS, and schedule of contributions – SDIS, as listed in the table of contents under required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Port of Tillamook Bay's basic financial statements. The accompanying supplementary information, as listed in the table of contents is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been

subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information, as listed in the table of contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditor’s report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.


Reports on Other Legal and Regulatory Requirements

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2022, on our consideration of Port of Tillamook Bay’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Port of Tillamook Bay’s 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 Port of Tillamook Bay’s internal control over financial reporting and compliance.

Other Reporting Required by Oregon Minimum Standards

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated January 31, 2022, on our consideration of Port of Tillamook Bay, Oregon’s compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance.


For Merina+Co
Tualatin, Oregon
January 31, 2022

**MANAGEMENT’S DISCUSSION AND ANALYSIS
INTRODUCTION OF BASIC FINANCIAL STATEMENTS AND
ANALYTICAL OVERVIEW OF THE PORT’S FINANCIAL ACTIVITIES**

The Management’s Discussion and Analysis (MD&A) provides a discussion and analysis of the operating results, financial position and future prospects of the Port of Tillamook Bay, a municipal government organized under Oregon Revised Statute (ORS) 777. It should be read in conjunction with the consolidated financial statements for the fiscal year ending June 30, 2021, including all accompanying notes to the financial statements.

Definitions:

- *Statement of Net Position* – presents the current and long-term portions of assets and liabilities as well as deferred outflows of resources, and deferred inflows of resources. It may provide a useful indicator of whether the financial position of the Port is improving.
- *Statement of Revenues, Expenses and Changes in Net Position* – presents information showing how net position changed as a result of current year operations. Regardless of when cash is affected, all changes in net position are reported when the underlying transactions occur. As a result, there are transactions included that do not affect cash until future fiscal periods, e.g. accrued vacation.
- *Statement of Cash Flows* – presents information showing how the Port’s cash changed as a result of current year operations. The cash flow statement is prepared using the direct method and includes the reconciliation of operation income to net cash provided by operating activities as required by GASB 34.

Financial Highlights:

- The Port of Tillamook Bay’s assets exceeded its liabilities at June 30, 2021 by \$27,648,703 (net position), a decrease of \$2,105,182 or (7%) over fiscal year 2019-2020.
- Capital assets decreased by \$2,677,851 or (7%) from the 2019-2020 year due to depreciation of capital projects.

Brief discussion of basic financial statements:

The Port of Tillamook Bay (Port) maintained one fund for fiscal year 2020-2021; the General Fund. Accounting is performed on an accrual accounting basis. Within the General Fund, departments have been designated to identify, define and budget for specific areas of operation, including Administration, Airport, Industrial Park, Utilities, Railroad, and Air Museum. Under the reporting model, the financial statements are comprised of four parts: 1) Basic financial statements, 2) Notes to the basic financial statements, 3) Required Supplementary information, and 4) Supplementary information.

Condensed financial information:

The Port is operated as an enterprise similar to a commercial or business entity organized for profit. The enterprise funds include accounting of operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through service charges. Most other revenue is generated through land rents. Grants are an additional revenue source.

The permanent property tax rate for the Port of Tillamook Bay is .0364 per thousand of assessed value, and was established by the State of Oregon for most municipalities and districts in Oregon in 1997-1998. Not including grant funds received, revenues from property taxes are minimal and represented only approximately 1% of the General Fund revenue for fiscal year 2020-2021. The opportunity to increase this permanent tax rate exists, however, any change would have to be approved by the electors within the Port's geographic boundaries. Of course, the increased revenue would improve revenues for the General Fund and assist in Port operations.

The *statement of net position* presents information on all the Port's assets and liabilities, with the difference between the two reported as net position. The capital assets (land, buildings, equipment, and infrastructure) are included in this statement are now reported at depreciated value. The Port has analyzed all existing capital assets including purchased asset software and now depreciates capital assets. The *statement of revenues, expenses, and changes in net position* presents information on the operating and non-operating revenues and expenses of the Port. In addition, it provides information on how well the Port is recovering its costs and generating profits available to re-invest in Port operations.

Condensed Statement of Net Position

	Balances as of June 30,			Increase (Decrease)	
	2021	2020	2019	2020 to 2021	2019 to 2020
Assets					
Current Assets	\$ 2,309,052	\$ 1,685,568	\$ 1,708,661	\$ 623,484	\$ (23,093)
Restricted Assets	-	-	-	-	-
Other Assets	347,078	366,942	368,791	(19,864)	(1,849)
Capital Assets, net	<u>34,839,163</u>	<u>37,517,014</u>	<u>40,815,493</u>	<u>(2,677,851)</u>	<u>(3,298,479)</u>
Deferred Outflows of Resources	<u>582,241</u>	<u>449,157</u>	<u>549,884</u>	<u>133,084</u>	<u>(100,727)</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 38,077,534</u>	<u>\$ 40,018,681</u>	<u>\$ 43,442,829</u>	<u>\$ (1,941,147)</u>	<u>\$ (3,424,148)</u>
Liabilities					
Current Liabilities	\$ 2,984,763	\$ 2,444,744	\$ 2,449,939	\$ 540,019	\$ (5,195)
Long Term Liabilities	<u>7,291,649</u>	<u>7,643,304</u>	<u>7,169,561</u>	<u>(351,655)</u>	<u>473,743</u>
Deferred Inflows of Resources	<u>152,419</u>	<u>176,748</u>	<u>131,166</u>	<u>(24,329)</u>	<u>45,582</u>
Total Liabilities and Deferred Inflows of Resources	<u>10,428,831</u>	<u>10,264,796</u>	<u>9,750,666</u>	<u>164,035</u>	<u>514,130</u>
Net Position					
Net Investment in Capital Assets	28,157,220	31,274,812	34,227,876	(3,117,592)	(2,953,064)
Unrestricted	<u>(508,517)</u>	<u>(1,520,927)</u>	<u>(535,713)</u>	<u>1,012,410</u>	<u>(985,214)</u>
Total Net Position	<u>27,648,703</u>	<u>29,753,885</u>	<u>33,692,163</u>	<u>(2,105,182)</u>	<u>(3,938,278)</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 38,077,534</u>	<u>\$ 40,018,681</u>	<u>\$ 43,442,829</u>	<u>\$ (1,941,147)</u>	<u>\$ (3,424,148)</u>

Condensed Statement of Revenues, Expenses, and Changes in Net Position

	Activities for Fiscal Years Ending June 30,			Increase (Decrease)	
	2021	2020	2019	2020 to 2021	2019 to 2020
Operating Revenues					
Land & Building	\$ 2,265,938	\$ 2,037,441	\$ 2,047,442	\$ 228,497	\$ (10,001)
Charges for services	655,760	688,238	565,253	(32,478)	122,985
Museum	406,919	353,213	489,379	53,706	(136,166)
Airport Revenues	93,236	78,203	81,159	15,033	(2,956)
Railroad Revenues	299,276	249,428	193,549	49,848	55,879
Total Operating Revenues	3,721,129	3,406,523	3,376,782	314,606	29,741
Operating Expenses:					
Personal Services	1,812,317	1,681,389	1,576,595	130,928	104,794
Materials and Services	1,801,634	1,263,741	1,355,237	537,893	(91,496)
Depreciation and amortization	2,887,759	3,584,900	3,664,272	(697,141)	(79,372)
Total Operating Expenses	6,501,710	6,530,030	6,596,104	(28,320)	(66,074)
Operating Income (Loss)	(2,780,581)	(3,123,507)	(3,219,322)	342,926	95,815
Non-operating Revenues					
(Expenses)	331,880	(289,269)	(159,665)	621,149	(129,604)
Grant proceeds	343,519	238,971	728,633	104,548	(489,662)
Change in Net Position	(2,105,182)	(3,173,805)	(2,650,354)	1,068,623	(523,451)
Net Position- Beginning	29,753,885	33,692,163	36,342,517	(3,938,278)	(2,650,354)
Prior Period Adjustment	-	(764,473)	-	764,473	(764,473)
Beginning Position Restated	29,753,885	32,927,690	36,342,517	(3,173,805)	(3,414,827)
Net Position- Ending	\$ 27,648,703	\$ 29,753,885	\$ 33,692,163	\$ (2,105,182)	\$ (3,938,278)

Analysis of the overall financial position and results of operations:

The POTB Board decided in the spring of 2009 to not pursue and repair the damage to the railroad from the December 2007 storm. Instead, the Board decided to proceed with a variety of FEMA Alternate Projects, designed to improve capital assets with an expected increase in future revenues and activity for the Port. These projects were funded by FEMA and State of Oregon Lottery Bonds; Port and local match, design and construction began in the 2011-2012 fiscal year. East side operations are limited to a lumber mill in Banks, and west side operations are limited to the Oregon Coast Scenic Railroad, which has taken over full operational authority and responsibility for maintenance. The total FEMA Alternate Project amount is \$44.6 million. The Port continues to work with Oregon Department of Forestry, Tillamook County, and Oregon Parks and Recreation Department on a Master Plan for the Salmonberry Trail, located between Banks and Tillamook, running through the Salmonberry Canyon where the railroad right of way is located.

Analysis of balances and transactions of individual funds:

The General Fund's main revenue is from the rental of industrial property to commercial tenants, airport operations, and utility services.

For the year ending June 30, 2021, the net operating income (loss) of the Port's general operations was (\$2,780,581). The Port total net position, as of June 30, 2021, was \$27,648,703, a decrease from the previous year of \$2,105,182. Overall, this trend continues because of the dramatic impact of the FEMA projects, which are all capital improvements, and the remainder of the operations staying fairly static. It is anticipated that once the FEMA and other capital projects are completed that this trend will change to a more operational standard.

Capital Assets and Debt Administration:

As of June 30, 2021, the Port had \$34,839,163 in capital assets net of accumulated depreciation. The Port's capital assets decreased (7%) during the year. This decrease is mainly due to depreciation. For more detailed information regarding the Port's capital assets refer to notes to the basic financial statements.

Capital Assets at Year End

	<u>06/30/19</u>	<u>06/30/20</u>	<u>06/30/21</u>
Land	\$ 3,993,510	\$ 3,993,509	\$ 3,993,510
Land Improvements	23,972,649	24,595,329	24,595,329
Buildings	38,130,819	37,348,257	38,319,340
Leasehold Improvements	248,331	248,331	248,331
Machinery & Equipment and Rail Equipment	14,729,166	14,754,475	14,770,506
Furniture & Fixtures	24,803	24,803	24,803
Intangible Assets	3,909,437	3,909,437	3,909,437
Construction in Progress	619,680	101,854	229,262
Total Capital Assets	<u>85,628,395</u>	<u>84,975,995</u>	<u>86,090,518</u>
Accumulated Depreciation and Amortization	<u>44,812,902</u>	<u>47,458,981</u>	<u>51,251,355</u>
Net Capital Assets	<u>\$ 40,815,493</u>	<u>\$ 37,517,014</u>	<u>\$ 34,839,163</u>

Outstanding Long Term Debt

	<u>6/30/2019</u>	<u>6/30/2020</u>	<u>6/30/2021</u>
Bonds	\$ 6,216,683	\$ 5,981,735	\$ 5,741,787
Notes Payable	<u>370,934</u>	<u>1,076,945</u>	<u>987,867</u>
Total Long Term Debt	<u>\$ 6,587,617</u>	<u>\$ 7,058,680</u>	<u>\$ 6,729,654</u>

The Port's total long-term debt decreased by \$329,026 or 5% during 2021, to \$6,729,654 as the Port continued paying down debt. Of the notes payable, \$43,946 will be forgiven by the State, with the condition the Port remain current on all other outstanding debt owed to Business Oregon (OBDD), formerly Oregon Economic & Community Development (OECDD).

Description of currently known facts, decisions, or conditions that are expected to have a material effect on financial position (net position) or results of operations (revenues, expenses, and other changes in net position):

1. The Federal Aviation Administration and the Oregon Department of Aviation recognizes that it is highly unlikely that the Port airport can generate enough income to support the necessary maintenance of asphalt runways and taxis, and navigational aids. Therefore, these state and federal agencies make available funding opportunities in order for the continued operation of the airport through PMP (Pavement Management Program) and Airport Improvement Programs (AIP), and a new avenue, HB2075 Aviation Fuel Tax grants, and COAR (Critical Oregon Airport Relief) grants. Additional Federal funding has also been awarded through the FAA as supplemental infrastructure funding.
2. As stated previously, due to storm damage to the railroad in 2007, activity has been extremely limited on the rail. On the east side of the tracks, there is twenty-six (26) miles of track. The Port continues to receive fees for use of this portion of the rail right of way. On the west side, there is forty-two (42) miles of track available for use. At this time, the main usage is by Oregon Coast Scenic Railroad (OCSR) for passenger trains during certain periods of the year. OCSR has full operations authority and absorbs all maintenance of crossings and track, and any improvements are for their business. OCSR leases trackage to a rail rider operation. This is a fifteen-year agreement, with 5 years remaining.
3. The Port continues to search and apply for grants and loans to complete the capital projects for all aspects of operation, including marketing.
4. Implementation of the updated Strategic Business Plan 2019 through 2022.

Requests for Information:

This financial report is designed to provide a general overview of the Port of Tillamook Bay's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report should be directed to the Port General Manager, Port of Tillamook Bay, 4000 Blimp Boulevard, Suite 100, Tillamook, Oregon, 97141.

BASIC FINANCIAL STATEMENTS

BASIC FINANCIAL STATEMENTS

The basic financial statements include interrelated sets of financial statements as required by the GASB. In addition, the notes to the basic financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

PORT OF TILLAMOOK BAY
STATEMENT OF NET POSITION
June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 2,052,593	\$ 1,393,259
Accounts receivables, net of allowance	93,002	148,828
Property taxes receivable	3,494	3,521
Note receivable, current portion	11,597	11,327
Accrued interest receivable	-	2,420
Grants receivable	56,607	37,839
Inventory	91,459	88,074
Prepaid expenses	<u>300</u>	<u>300</u>
Total current assets	<u>2,309,052</u>	<u>1,685,568</u>
NONCURRENT ASSETS:		
Capital assets, nondepreciable	4,222,770	4,095,364
Capital assets, depreciable, net	30,616,393	33,421,650
Note receivable, net of current portion	344,823	351,710
Net other post-employment benefit asset	<u>2,255</u>	<u>15,232</u>
Total noncurrent assets	<u>35,186,241</u>	<u>37,883,956</u>
Total assets	37,495,293	39,569,524
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred outflows relating to other post-employment benefits	18,098	15,305
Deferred outflows relating to pension	<u>564,143</u>	<u>433,852</u>
Total deferred outflows of resources	<u>582,241</u>	<u>449,157</u>
Total assets and deferred outflows of resources	<u>\$ 38,077,534</u>	<u>\$ 40,018,681</u>
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES:		
Accounts payable	\$ 471,053	\$ 195,458
Accrued payroll and related expenses	70,230	47,219
Accrued vacation	60,935	57,454
Other accrued liabilities	109,306	106,404
Accrued interest payable	149,531	308,360
Net other post-employment liability	46,218	45,736
Net pension liability	1,748,987	1,378,239
Long-term debt obligations, current portion	<u>346,161</u>	<u>305,874</u>
Total current liabilities	<u>3,002,421</u>	<u>2,444,744</u>
NONCURRENT LIABILITIES:		
Long-term debt obligations, net of current portion	6,383,493	6,752,806
Landfill post-closure liability	890,498	890,498
Total noncurrent liabilities	<u>7,273,991</u>	<u>7,643,304</u>
Total liabilities	<u>10,276,412</u>	<u>10,088,048</u>
DEFERRED INFLOWS OF RESOURCES:		
Deferred inflows relating to other post-employment benefits	2,367	5,784
Deferred inflows relating to pensions	<u>150,052</u>	<u>170,964</u>
Total deferred inflows of resources	<u>152,419</u>	<u>176,748</u>
NET POSITION:		
Net investment in capital assets	28,157,220	31,274,812
Unrestricted	<u>(508,517)</u>	<u>(1,520,927)</u>
Total net position	<u>27,648,703</u>	<u>29,753,885</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 38,077,534</u>	<u>\$ 40,018,681</u>

The accompanying notes are an integral part of the basic financial statements.

PORT OF TILLAMOOK BAY
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION
For the Fiscal Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
OPERATING REVENUES:		
Charges for services	\$ 655,760	\$ 688,238
Building and land rent	2,265,938	2,037,441
Museum	406,919	353,213
Airport revenues	93,236	78,203
Railroad revenues	299,276	249,428
Total operating revenues	<u>3,721,129</u>	<u>3,406,523</u>
OPERATING EXPENSES:		
Personnel services	1,812,317	1,681,389
Materials and services	1,801,634	1,263,741
Depreciation	2,887,759	3,584,900
Total operating expenses	<u>6,501,710</u>	<u>6,530,030</u>
Operating income (loss)	<u>(2,780,581)</u>	<u>(3,123,507)</u>
NON-OPERATING REVENUES (EXPENSES):		
Property and other taxes	75,670	82,306
Interest income	25,809	40,030
Grant revenue	343,519	238,971
Miscellaneous income	416,937	14,348
Insurance proceeds	156,358	22,140
Gain on sale of assets	13,891	41,650
Loan fees	(5,052)	(5,052)
Interest expense	(351,733)	(484,691)
Total non-operating income (expenses)	<u>675,399</u>	<u>(50,298)</u>
Change in net position	(2,105,182)	(3,173,805)
NET POSITION, BEGINNING AS ORIGINALLY REPORTED	29,753,885	33,692,163
PRIOR PERIOD ADJUSTMENT	<u>-</u>	<u>(764,473)</u>
NET POSITION, BEGINNING AS RESTATED	29,753,885	32,927,690
NET POSITION, ENDING AS RESTATED	<u>\$ 27,648,703</u>	<u>\$ 29,753,885</u>

The accompanying notes are an integral part of the basic financial statements.

PORT OF TILLAMOOK BAY
STATEMENT OF CASH FLOWS
For the Fiscal Years Ended June 30, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers and users	\$ 3,785,992	\$ 3,338,131
Cash paid to suppliers	(1,526,522)	(1,370,286)
Cash paid for personnel services	(1,559,031)	(1,600,841)
Net cash provided (used) by operating activities	<u>700,439</u>	<u>367,004</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Property and other taxes received	75,697	82,306
Insurance proceeds	156,358	22,140
Non-operating revenues	388,520	14,348
Net cash provided (used) by non-capital financing activities	<u>620,575</u>	<u>118,794</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and construction of capital assets	(210,224)	(286,421)
Grant proceeds	324,751	349,251
Principal payment on notes and bond payable	(300,609)	(293,410)
Interest paid on notes and bond payable	(510,562)	(334,540)
Gain on sale of assets	14,207	41,650
Fees paid on notes and bonds payable	(5,052)	(5,052)
Net cash provided (used) by capital and related financing activities	<u>(687,489)</u>	<u>(528,522)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest income	25,809	40,030
Net cash provided (used) by investing activities	<u>25,809</u>	<u>40,030</u>
Net increase (decrease) in cash and cash equivalents	659,334	(2,694)
CASH AND CASH EQUIVALENTS, BEGINNING	<u>1,393,259</u>	<u>1,395,953</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 2,052,593</u>	<u>\$ 1,393,259</u>

The accompanying notes are an integral part of the basic financial statements.

PORT OF TILLAMOOK BAY
STATEMENTS OF CASH FLOWS (CONTINUED)
For the Fiscal Years Ended June 30, 2021 and 2020

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	<u>2021</u>	<u>2020</u>
Operating loss	\$ (2,780,581)	\$ (3,123,507)
Adjustments:		
Depreciation	2,887,759	3,584,900
Pension expense	232,522	196,421
Other post-employment benefit expense	(5,728)	2,383
Decrease (increase) in:		
Accounts receivable	55,826	(75,497)
Note receivable	9,037	7,105
Inventory	(3,385)	(11,576)
Increase (decrease) in:		
Accounts payable	275,595	(94,244)
Accrued payroll	23,011	(125,592)
Accrued compensated absences	3,481	7,336
Other accrued liabilities	2,902	(725)
Net cash provided (used) by operating activities	<u>\$ 700,439</u>	<u>\$ 367,004</u>

SUPPLEMENTAL DISCLOSURE OF NONCASH TRANSACTIONS

Debt principle payment forgiveness	<u>\$ 28,417</u>	<u>\$ -</u>
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The accompanying notes are an integral part of the basic financial statements.

PORT OF TILLAMOOK BAY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Operation - The Port of Tillamook Bay (the Port) is an Oregon Municipal corporation formed under Oregon Revised Statute (ORS) 777. It was formed by special election in 1911 to incorporate land at the entrance to Tillamook Bay and named the Port of Bay Ocean. In 1948 at a special election, additional land at the entrance to Tillamook Bay was incorporated into the Port for the purpose of constructing a jetty to protect the bay. In 1953, a special election was held to incorporate 1600 acres of land, two blimp hangars, and various other buildings from the federal government. The commissioners on November 4, 1953 declared that with the inclusion of the territory adjacent to the Port of Tillamook, it was advisable to change the name of the Port of Bay Ocean to the Port of Tillamook Bay. The Port is governed by an elected five-member Board of Directors. The Board members set Port policy, appropriate funds, adopts budgets, and performs other duties required by state laws.

In 1990, the Port acquired approximately 90 miles of railroad from Southern Pacific with grant proceeds secured with the help from the State of Oregon. In December 2007, the Port experienced a major storm which caused significant damage to its railroad infrastructure. The line between Tillamook and the Willamette Valley is no longer in use for freight service from the Industrial Park. Twenty-five miles of open lines are still in use between Banks, Oregon and Cochran Pond, Oregon which provides cargo transportation to commercial and industrial customers along the rail. In addition, thirty-five miles of open lines are still in use near Tillamook, Oregon to provide local passenger train services to tourists.

Reporting entity - In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units (PCU).

Accounting principles generally accepted in the United States of America require that the reporting entity include the primary government, all organizations for which the primary government is financially accountable and other organizations that, by the nature and significance of their relationship with the primary government, would cause the financial statements to be incomplete or misleading if excluded. Based on this criterion, no component units were included within the Port of Tillamook Bay's reporting entity.

Basis of accounting – The Port's financial statements have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. Accordingly, the Port utilizes the accrual basis of accounting, whereas revenues are recognized when earned and expenses are recognized when incurred.

The Port uses one fund for state legal compliance and budgeting purposes. This fund is reported as a unitary enterprise similar to a commercial entity organized for profit for financial reporting. Enterprise funds are used to account for operations: (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user fees; or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

PORT OF TILLAMOOK BAY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Port distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the Port's ongoing principal operations. The principal operating revenues of the Port include lease income from rental of Port property, museum admissions, train switching, septage receiving, digester fiber sales, electric power sales, and water and sewer fees. Operating expenses include the cost of providing the services mentioned above, as well as administrative expenses. Revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Cash and cash equivalents - The Port has one bank account at US Bank. The Port also maintains two bank accounts for its funds in a central pool of cash. This pool includes amounts in demand deposits and investments in the Oregon State Treasury Local Government Investment Pool both of which meet the requirements of ORS 294.035 governing allowable depositories. Amounts on deposit with the Local Government Investment Pool are treated as cash, as the account can be accessed as needed.

Statement of cash flows - The cash and investment balances held by the Port are pooled for investment purposes. For purposes of the cash flows statements, "Cash and investments" are considered to be cash equivalents since the amounts are readily available for use.

Accounts receivable - Accounts receivable are unsecured and consist primarily of rents due from tenants within the industrial park. The Port establishes a reserve for bad debts based on prior history and a review of individual customer accounts. The reserve totaled \$162,838 and \$103,770 as of June 30, 2021 and 2020, respectively.

Grants receivable - Grants receivable consist of outstanding reimbursements for FAA projects at the airport.

Long term note receivable - The Port entered into a long term note receivable with the Helping Hands organization in May 2016 for \$405,000 for the renovation of the homeless relief center building. The note is 25 years in length with final payment scheduled to be made in 2041. Interest on the loan is 4%.

Inventory - Inventories are maintained on a consumption basis of accounting under the lower of cost or market first-in, first-out method where items are purchased for inventory and charged to expense as the items are consumed. Inventory held by the Port consists of gift shop merchandise at the museum and fuel for the airport facility.

Prepaid expenses - Prepaid expenses represent amounts paid for normal operating expenses in advance of receiving the related goods or services.

Restricted assets and related liabilities - Assets whose use is restricted to specific purposes by State law or by contract and the related liabilities are segregated on the balance sheet. Assets so classified are held to make payments on bonded indebtedness and for purchase or construction of capital assets. When both restricted and unrestricted resources are available for use, it is the Port's policy to use restricted resources first, then unrestricted resources as they are needed. The Port does not currently have any restricted assets.

PORT OF TILLAMOOK BAY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital assets - All purchased property and equipment are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated property and equipment are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Expenses for additions and improvements with a value of \$5,000 or more and a useful life of more than one year are capitalized. Capital assets, excluding land and construction in progress, are depreciated using the straight-line method over the estimated useful lives of the assets. The estimated useful lives are as follows:

Assets	Years
Land improvements	15 - 20
Buildings	39 - 40
Leasehold improvements	10
Machinery & Equipment	5 - 10
Rail equipment	15
Furniture and fixtures	7
Intangibles	5 - 15

Contribution of funds from federal, state or local sources for the purpose of purchasing property and equipment are recorded as capital grant revenue when received, in accordance with GASB 33.

Unused compensated absences - Vested or accumulated vacation leave is recorded as an expense and liability when earned by each employee.

Unearned revenue - Grant proceeds and rental income received prior to and earned after year end are recorded as unearned revenue. The Port had no unearned revenue at June 30, 2021.

Deferred outflows/inflows of resources - In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Port has two items that qualify for reporting in this category. They are the deferred amounts relating to pensions and deferred amounts relating to other post-employment benefits. These amounts are deferred and recognized as an outflow of resources in the period when the Port recognizes the expense. Deferred outflows are included in the Statement of Net Position.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Port has two items that qualifies for reporting in this category. The Port reports deferred amounts related to pensions and deferred amounts related to other post-employment benefits. These amounts are deferred and recognized as an inflow of resources in the period when the Port recognizes the income. Deferred inflows are included in the Statement of Net Position.

PORT OF TILLAMOOK BAY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Postemployment Benefits Other Than Pensions (OPEB) - For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Port's two separate plans the Implicit Rate Subsidy and Oregon Public Employees Retirement Systems (OPERS) and additions to/deductions from Implicit Rate Subsidy and OPERS's fiduciary net position have been determined on the same basis as they are reported by Implicit Rate Subsidy and OPERS. For this purpose, Implicit Rate Subsidy and OPERS recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Net position - The Port's net position is classified as follows:

Net investment in capital assets- This represents the Port's total investment in capital assets, net of outstanding debt obligations related to those capital assets. Debt that has been incurred for capital assets but not yet expended is not included within this component of net position.

Restricted for debt service- This represents resources restricted by bond indentures or from other external sources for use in debt service.

Unrestricted- This represents resources used for the Port's general operations, which are not restricted by third parties.

Property and other taxes - Assessments of property values are as of July 1 of each year, and the taxes levied are a lien on the properties as of July 1 of the year levied. By July 15 of each year, the Port certifies its property tax levy to Tillamook County, Oregon. Tillamook County makes all assessments of property value and levies, collects, and distributes property taxes for all taxing districts within its boundaries.

Taxes are payable in three installments on November 15, February 15, and May 15 following the levy date and become delinquent May 15. The County pools all tax collections and makes distributions to taxing districts according to their pro-rata share of the total levy of each fiscal year for which collections are received. Property tax revenue is recognized on the accrual basis of accounting. Property taxes levied during the current year are recorded as nonoperating revenue, and any amounts uncollected at year-end are recorded as a current asset.

The Port also receives taxes for timber and land. Rates and amounts collected are verified by the county and distributed to the Port accordingly.

PORT OF TILLAMOOK BAY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of estimates - Preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions.

These assumptions and estimates affect the amounts and disclosures in the accompanying financial statements. Actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

General Fund – As the Port’s only fund, the General Fund is used to account for the operations of the Port’s industrial park and railroad operations. These operations include the lease of industrial property, airport activities including hangar rentals, the air museum, railroad activities, and sewer and water services.

Budgets and budgetary accounting - The Port is required by Oregon State Law to adopt an annual appropriated budget. The budgetary fiscal period coincides with the annual reporting period (July 1 through June 30). Appropriated budgets are adopted by the executive body and, accordingly, used as a management control device for all funds. The Port prepared its budget using the modified accrual basis of accounting for the year ended June 30, 2021. Original appropriations may be increased or decreased, through resolutions, by transferring amounts between appropriations in the same fund, or they may be increased through the adoption of a supplemental budget. By state law, budget appropriations lapse at year-end. The Port adopts its budget at the department level for the General Fund.

NOTE 3 - CASH AND CASH EQUIVALENTS

Following is a summary of the Port’s deposit and investment balances at June 30, 2021 and 2020:

Cash deposits	2021	2020
Cash on hand	\$ 1,868	\$ 1,868
Bank deposits	334,392	307,506
Total cash and bank deposits	<u>336,260</u>	<u>309,374</u>
Cash and investments		
Investments in the State and Local Government	1,716,333	1,083,885
Total deposits and investments	<u>\$ 2,052,593</u>	<u>\$ 1,393,259</u>

As of June 30, 2021 and June 30, 2020, the Port had the following cash equivalents:

Investment	Weighted Average Maturity (in years)	Fair Value 2020	Fair Value 2021
Local Government Investment Pool	0.0	\$1,083,885	\$1,716,013

PORT OF TILLAMOOK BAY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)

Interest rate risk

Interest rate risk is the risk of exposure to fair value losses resulting from rising interest rates. The Port does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, the Port has minimal interest rate risks because all of its deposits and investments are held in demand accounts with banks and the Local Government Investment Pool.

Custodial credit risk

Custodial credit risk is the risk that in the event of the failure of a financial institution, the Port would not be able to recover the value of its deposits and investments that are in the possession of the financial institution. The Port's demand deposit accounts and savings accounts with financial institutions are each insured by the Federal Depository Insurance Corporation (FDIC) up to a maximum of \$250,000. Oregon statutes require depositories qualified to hold public funds to participate in the Oregon Public Funds Collateralization Program (PFCP) in which depositories become part of a multiple financial institution collateral pool and are required to pledge as collateral, securities with a value at least equal to their maximum liability towards protecting public funds in the event one or more of the participating depositories fail. Although the PFCP creates a shared liability structure for participating bank depositories, it does not guarantee that all funds are 100% protected. As of June 30, 2021 and 2020, the book value of the Port's deposits was \$334,392 and \$307,506 and the bank balance was \$368,687 and \$395,289. \$118,687 of the Port's bank balances was exposed to custodial credit risk as they were collateralized under PFCP at June 30, 2021.

Credit risk

The Port does not have a formal policy addressing credit risk other than following ORS 294.035 on allowable deposits and investments. The Port uses a Local Government Investment Pool with the State of Oregon for its investments. The fair value of the Port's share of the pool assets approximates its deposits plus accrued interest. The Oregon Short Term Fund is the LGIP for local governments and was established by the State Treasurer. It was created to meet the financial and administrative responsibilities of federal arbitrage regulations. The investments are regulated by the Oregon Short Term Fund Board and approved by the Oregon Investment Council (ORS 294.805 to 294.895). The Port can draw on its deposits in the Pool upon demand, and therefore, classifies this as a cash equivalent.

The Local Government Investment Pool is not rated.

Concentration of credit risk

The Port does not limit the amount that may be invested in any one issuer. At June 30, 2021 and 2020, \$1,716,333 (84%) and \$1,083,885 (78%) of its deposits and investments were held in the Local Government Investment Pool. The remainder was held in demand accounts with US Bank.

PORT OF TILLAMOOK BAY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE 4 - RECEIVABLES

Following is a summary of the Port's account receivable balances at June 30, 2021 and 2020:

	2021	2020
Accounts	\$ 93,002	\$ 148,828
Property Taxes	3,494	3,521
Interest Receivable	-	2,420
Grants	56,607	37,839
Notes	356,420	363,037
Total receivables	<u>\$ 509,523</u>	<u>\$ 555,645</u>

The Port levied property taxes in the amount of \$61,362 and \$59,580 for fiscal year ending June 30, 2021 and 2020.

The Port has a note receivable for the sale of property. Interest of 4% and principle payments are due monthly. The note is secured by real property and is considered fully collectible.

NOTE 5 - CAPITAL ASSETS

Capital asset activity and balances consisted of the following for the year ended June 30, 2021:

Capital Assets, Non-Depreciable	Balance 2020	Additions	Deletions	Balance 2021
Land	\$ 3,993,510	\$ -	\$ -	\$ 3,993,508
Construction in Progress	101,854	127,408	-	229,262
Total Capital Assets, Non-Depreciable	<u>4,095,364</u>	<u>127,408</u>	<u>-</u>	<u>4,222,770</u>
Capital Assets, Depreciable				
Land Improvements	24,595,329	-	-	24,595,329
Buildings	37,348,257	983,783	(12,700)	38,319,340
Leasehold Improvements	248,331	-	-	248,331
Machinery & Equipment	11,679,425	16,033	-	11,695,458
Rail Equipment	3,075,050	-	-	3,075,050
Furniture & Fixtures	24,803	-	-	24,803
Intangible Assets	3,909,437	-	-	3,909,437
Total Capital Assets, Depreciable	<u>80,880,632</u>	<u>999,816</u>	<u>(12,700)</u>	<u>81,867,748</u>

PORT OF TILLAMOOK BAY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE 5 - CAPITAL ASSETS (Continued)

	<u>Balance 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 2021</u>
Less: Accumulated Depreciation				
Land Improvements	(16,002,831)	(1,267,829)	-	(17,270,660)
Buildings	(15,825,347)	(1,687,411)	12,383	(17,500,375)
Leasehold Improvements	(248,331)	-	-	(248,331)
Machinery & Equipment	(10,200,116)	(580,831)	-	(10,780,947)
Rail Equipment	(2,752,599)	(108,160)	-	(2,860,759)
Furniture & Fixtures	(24,803)	-	-	(24,803)
Intangible Assets	(2,404,954)	(160,526)	-	(2,565,480)
Accumulated Depreciation	<u>(47,458,981)</u>	<u>(3,804,757)</u>	<u>12,383</u>	<u>(51,251,355)</u>
Net Depreciable, Capital Assets	<u>33,421,651</u>	<u>(2,804,941)</u>	<u>(317)</u>	<u>30,616,393</u>
Total Net Capital Assets	<u>\$ 37,517,014</u>	<u>\$(2,677,533)</u>	<u>\$ (317)</u>	<u>\$ 34,839,163</u>

Construction in progress consists of the FAA Apron 2 Rehabilitation project as approved by the Board. Capital projects are financed by federal grants, state matching funds and internal resources. There was no interest capitalized during the years ended June 30, 2021 and 2020.

NOTE 6 - LONG-TERM DEBT

Notes payable - The Port has various loans with the Oregon Business Development Department (OBDD). These loans were obtained to make various improvements to buildings leased by tenants, cover payroll for a brief period after the storm, and as match money for railroad rehabilitation grants. Interest rates and maturity dates vary from 3.78% to 5%, and maturity dates of 20 to 25 years, respectively. These loans are secured by Port buildings. If the payroll loan is defaulted, by failure to make required principal or interest payments, OBDD could declare all principal and interest and all other amounts due immediately. The Port entered into a loan to grant program with OBDD so that part of the principal balance of the loan would be converted to a grant due to the emergency financial needs to repair rail lines damaged by natural disasters.

The Port also has various loans with the Special Public Works Fund (SPWF) of the State of Oregon. These loans were used to finance improvements to the Port's water and sewer treatment facilities, and to assist with costs incurred in repairing the railroad from the flood damage from 1996. These loans carry interest at rates ranging from 3.32% to 6.5%, and maturity dates of 20 to 25 years. Port real property is pledged as security.

Series 2016B Tax Exempt Bond - The Port issued a bond, series 2016B, in the amount of \$130,000 for the purpose of refinancing several outstanding bonds and notes. Semiannual interest and annual principal payments vary from 3.0% to 4.5% until the bond will be repaid in 2037.

Series 2016C Taxable Bond - The Port issued a bond, series 2016C, in the amount of \$6,190,000, for the purpose of refinancing several outstanding bonds and notes payable. Semiannual interest payments vary from 3.2% to 5.650% until the bonds are repaid in 2037.

PORT OF TILLAMOOK BAY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE 6 - LONG-TERM DEBT (Continued)

The following is a summary of changes in long-term debt for the fiscal year ended June 30, 2021:

	<u>Balance 6/30/2020</u>	<u>Reductions</u>	<u>Balance 6/30/2021</u>	<u>Due within one year</u>
Bonds:				
Series 2016B - Tax-Exempt	125,000	5,000	120,000	5,000
Series 2016C - Taxable	5,955,000	240,000	5,715,000	250,000
Bond Amortization	(98,265)	(5,052)	(93,213)	(5,052)
Total Bonds	<u>5,981,735</u>	<u>239,948</u>	<u>5,741,787</u>	<u>249,948</u>
Notes Payable:				
OBDD L14002	764,473	-	764,473	27,762
OEDD 525179	155,023	45,696	109,327	47,449
OBDD Payroll Loan C2008004	52,005	4,295	47,710	4,480
OEDD SPWF X03002	33,081	10,669	22,412	11,023
SPWF L07004	72,363	28,417	43,946	5,499
Total Note Payables	<u>1,076,945</u>	<u>89,077</u>	<u>987,868</u>	<u>96,213</u>
	<u>\$ 7,058,680</u>	<u>\$ 329,025</u>	<u>\$ 6,729,655</u>	<u>\$ 346,161</u>

Future maturities of bonds payable are as follows:

	<u>Series 2016B - Tax-Exempt</u>		<u>Series 2016C - Taxable</u>		<u>Bond</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Amortization</u>
2022	\$ 5,000	\$ 5,005	\$ 250,000	\$ 290,530	\$ 5,052
2023	5,000	4,855	260,000	281,780	5,052
2024	5,000	4,705	270,000	272,030	5,052
2025	5,000	4,515	280,000	261,230	5,052
2026	5,000	4,325	290,000	249,330	5,052
2027-2031	35,000	18,462	1,675,000	1,025,532	25,260
2032-2036	50,000	9,000	2,180,000	527,146	25,260
2037-2041	10,000	450	510,000	28,815	17,433
Total	<u>\$ 120,000</u>	<u>\$ 51,317</u>	<u>\$5,715,000</u>	<u>\$2,936,393</u>	<u>\$ 93,213</u>

PORT OF TILLAMOOK BAY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE 6 - LONG-TERM DEBT (Continued)

Future maturities of notes payable are as follows:

	<u>Principal</u>	<u>Interest</u>
2022	\$ 96,213	\$ 38,372
2023	112,538	33,595
2024	40,864	31,040
2025	42,516	29,388
2026	44,246	27,658
2027-2031	219,564	110,593
2032-2036	221,294	68,501
2037-2040	210,632	21,203
Total	<u>\$987,867</u>	<u>\$360,350</u>

NOTE 7 - OPERATING LEASES

The Port leases facilities to various individuals and businesses. Rent agreements vary from month-to-month to 30 years. Determination of the cost and book value of leased facilities is not determinable given the mixed use nature of Port property.

As of June 30, 2021, minimum rental payments required under operating leases which have remaining non-cancelable lease terms in excess of one year are as follows:

<u>Year</u>	<u>Payments</u>
2022	\$ 890,508
2023	851,165
2024	527,324
2025	534,419
2026	546,299
2027-2031	1,207,246
2032-2036	250,180
2037-2041	243,569
2042-2046	21,312
2047-2051	25,663
	<u>\$ 5,097,685</u>

PORT OF TILLAMOOK BAY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE 8 - DEFINED BENEFIT PENSION PLAN

Plan description - Employees of the Port are provided with pensions through the Oregon Public Employees Retirement System (OPERS) a cost-sharing multiple-employer defined benefit pension plan, the Oregon Legislature has delegated authority to the Public Employees Retirement Board to administer and manage the system. All benefits of the System are established by the legislature pursuant to ORS Chapters 238 and 238A. Tier One/Tier Two Retirement Benefit plan, established by ORS Chapter 238, is closed to new members hired on or after August 29, 2003. The Pension Program, established by ORS Chapter 238A, provides benefits to members hired on or after August 29, 2003. OPERS issues a publicly available Annual Comprehensive Financial Report and Actuarial Valuation that can be obtained at <http://www.oregon.gov/pers/Pages/Financials/Actuarial-Financial-Information.aspx>.

Benefits provided

1. Tier One/Tier Two Retirement Benefit ORS Chapter 238

Pension benefits - The PERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (1.67 percent for general service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under either a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefit results. Monthly payments must be a minimum of \$200 per month or the member will receive a lump-sum payment of the actuarial equivalent of benefits to which he or she is entitled.

Under Senate Bill 1049, passed during the 2019 legislative session, the salary included in the determination of Final Average Salary will be limited for all members beginning in 2020. The limit will be equal to \$195,000 in 2020, and will be indexed with inflation in later years.

A member is considered vested and will be eligible at minimum retirement age for a service retirement allowance if he or she has had a contribution in each of five calendar years or has reached at least 50 years of age before ceasing employment with a participating employer

General service employees may retire after reaching age 55. Tier One general service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service. Tier Two members are eligible for full benefits at age 60. The ORS Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003.

Death benefits - Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance (accumulated contributions and interest). In addition, the beneficiary will receive a lump-sum payment from employer funds equal to the account balance, provided one or more of the following conditions are met:

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

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NOTE 8 - DEFINED BENEFIT PENSION PLAN (Continued)

Disability benefits - A member with 10 or more years of creditable service who becomes disabled from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member (including PERS judge members) for disability benefits regardless of the length of PERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 when determining the monthly benefit.

Benefit changes - After Retirement Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value of equity investments. Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living (COLA) changes. The COLA is capped at 2.0 percent.

2. OPSRP Defined Benefit Pension Program (OPSRP DB)

Pension benefits - The Pension Program (ORS Chapter 238A) provides benefits to members hired on or after August 29, 2003. This portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age:

General service: 1.5 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for general service members is age 65, or age 58 with 30 years of retirement credit.

Under Senate Bill 1049, passed during the 2019 legislative session, the salary included in the determination of final average salary will be limited for all members beginning in 2020. The limit will be equal to \$195,000 in 2020, and will be indexed with inflation in later years.

A member of the OPSRP Pension Program becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, and, if the pension program is terminated, the date on which termination becomes effective.

Death benefits - Upon the death of a non-retired member, the spouse or other person who is constitutionally required to be treated in the same manner as the spouse receives for life 50 percent of the pension that would otherwise have been paid to the deceased member.

Disability benefits - A member who has accrued 10 or more years of retirement credits before the member becomes disabled or a member who becomes disabled due to job-related injury shall receive a disability benefit of 45 percent of the member's salary determined as of the last full month of employment before the disability occurred.

Benefit changes after retirement - Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes. Under current law, the cap on the COLA in fiscal year 2015 and beyond will vary based on 1.25 percent on the first \$60,000 of annual benefit and \$750 plus 0.15 percent on annual benefits above \$60,000.

PORT OF TILLAMOOK BAY
NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 8 - DEFINED BENEFIT PENSION PLAN (Continued)

3. OPSRP Individual Account Program (OPSRP IAP)

Pension benefits - The Individual Account Program (ISP) is a defined contribution pension plan. An IAP member becomes vested on the date the employee account is established or on the date the rollover account was established. If the employer makes optional employer contributions for a member, the member becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, the date the IAP is terminated, the date the active member becomes disabled, or the date the active member dies.

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

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

Recordkeeping - OPERS contracts with VOYA Financial to maintain IAP participant records.

Contributions

1. Employer Contributions

PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. This funding policy applies to the PERS Defined Benefit Plan and the Other Postemployment Benefit Plans. Employer contribution rates during the period were based on the December 31, 2018 actuarial valuation. The rates based on a percentage of payroll, first became effective July 1, 2019. Effective January 1, 2020, Senate Bill 1049 required employers to pay contributions on re-employed PERS retirees' salary as if they were an active member, excluding IAP (6 percent) contributions. Employer contributions for the years ended June 30, 2021 and 2020 were \$157,884 and \$121,173, respectively, excluding amounts to fund employer specific liabilities. The rates in effect for the fiscal years ended June 30, 2021 and 2020 were 12.70 percent for Tier One/Tier Two General Service Member, 8.40 percent for OPSRP Pension Program General Service members, and 6 percent for OPSRP Individual Account Program.

PORT OF TILLAMOOK BAY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE 8 - DEFINED BENEFIT PENSION PLAN (Continued)

2. Employee Contributions

Beginning January 1, 2004, all employee contributions were placed in the OPSRP Individual Account Program (IAP), a defined contribution pension plan established by the Oregon Legislature. Prior to that date, all member contributions were credited to the Defined Benefit Pension Plan. Member contributions are set by statute at 6.0 percent of salary and are remitted by participating employers. The contributions are either deducted from member salaries or paid by the employers on the members behalf. The IAP member accounts represent member contributions made on or after January 1, 2004, plus earnings allocations less disbursements for refunds, death benefits, and retirements. As permitted, the Port has opted to pick-up the contributions on behalf of employees; contributions were \$42,429 and \$52,283 for the years ended June 30, 2021 and 2020, respectively.

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

At June 30, 2021 and 2020, respectively, the Port reported a liability of \$1,748,987 and \$1,378,239 for its proportionate share of the net pension asset. The net pension liability was measured as of June 30, 2020 and 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018 rolled forward to June 30, 2020. The Port's proportion of the net pension liability was based on a projection of the Port's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2021, the Port's proportion was 0.0080 percent, which was an increase from its proportion of 0.0079 percent measured as of June 30, 2020.

For the year ended June 30, 2021, the Port recognized pension expense of \$219,545. At June 30, 2021, the Port reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 76,977	\$ -
Changes of assumptions	93,863	3,289
Net difference between projected and actual earnings on investments	205,658	-
Changes in proportion	29,619	61,631
Differences between employer contributions and proportionate share of contributions	142	85,132
Total (prior to post-MD contributions)	<u>406,259</u>	<u>150,052</u>
Contributions subsequent to the MD	<u>157,884</u>	<u>-</u>
Total	<u>\$ 564,143</u>	<u>\$ 150,052</u>

PORT OF TILLAMOOK BAY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE 8 - DEFINED BENEFIT PENSION PLAN (Continued)

For the year ended June 30, 2020, the Port recognized pension expense of \$131,168. At June 30, 2020, the Port reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 76,006	\$ -
Changes of assumptions	186,974	-
Net difference between projected and actual earnings on investments	-	39,071
Changes in proportion	49,077	86,273
Differences between employer contributions and proportionate share of contributions	622	45,620
Total (prior to post-MD contributions)	<u>312,679</u>	<u>170,964</u>
Contributions subsequent to the MD	<u>121,173</u>	<u>-</u>
Total	<u>\$ 433,852</u>	<u>\$ 170,964</u>

\$157,884 was reported as deferred outflows of resources related to pensions resulting from the Port's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. \$121,173 was reported as deferred outflows of resources related to pensions resulting from the Port's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30:</u>	
2022	\$ 50,347
2023	69,652
2024	67,099
2025	65,709
2026	3,400
Total	<u>\$ 256,207</u>

PORT OF TILLAMOOK BAY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE 8 - DEFINED BENEFIT PENSION PLAN (Continued)

Actuarial assumptions

The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	December 31, 2018
Measurement Date	June 30, 2020
Experience Study Report	2018, published July 24, 2019
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Inflation Rate	2.50 percent
Long-Term Expected Rate of Return	7.20 percent
Discount Rate	7.20 percent
Projected Salary Increases	3.50 percent overall payroll growth
Cost of Living Adjustments (COLA)	Blend of 2.00% COLA and grade COLA (1.25%/0.15%) in accordance with <i>Moro</i> decision, blend based on service.
Mortality	<p>Health retirees and beneficiaries: Pub-2010 Healthy Retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.</p> <p>Active Members: Pub-2010 Employee, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.</p> <p>Disabled retirees: Pub-2010 Disable Retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.</p>

PORT OF TILLAMOOK BAY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE 8 - DEFINED BENEFIT PENSION PLAN (Continued)

The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	December 31, 2017
Measurement Date	June 30, 2019
Experience Study Report	2016, published July 26, 2017
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Inflation Rate	2.50 percent
Long-Term Expected Rate of Return	7.20 percent
Discount Rate	7.20 percent
Projected Salary Increases	3.50 percent overall payroll growth
Cost of Living Adjustments (COLA)	Blend of 2.00% COLA and grade COLA (1.25%/0.15%) in accordance with <i>Moro</i> decision, blend based on service.
Mortality	<p>Health retirees and beneficiaries: RP-2014 healthy annuitant, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation.</p> <p>Active Members: RP-2014 Employees, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation.</p> <p>Disabled retirees: RP-2014 Disabled retirees, sex-distinct, generational with Unisex, Social Security Data Scale.</p>

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The methods and assumptions shown above are based on the 2018 Experience Study which reviewed experience for the four-year period ending on December 31, 2018.

Long-term expected rate of return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in May 2019 the PERS Board reviewed long-term assumptions developed by both Milliman’s capital market assumptions team and the Oregon Investment Council’s (OIC) investment advisors. The table below shows Milliman’s assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation. The OIC’s description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

PORT OF TILLAMOOK BAY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE 8 - DEFINED BENEFIT PENSION PLAN (Continued)

The following asset class allocation table was used for the 2018 valuation:

<u>Asset Class/Strategy</u>	<u>Assumed Asset Allocation</u>		
	<u>Low Range</u>	<u>High Range</u>	<u>Target</u>
Debt Securities	15.0%	25.0%	20.0%
Public Equity	27.5%	37.5%	32.5%
Real Estate	9.5%	15.5%	12.5%
Private Equity	14.0%	21.0%	17.5%
Alternative Equity	7.5%	17.5%	15.0%
Opportunity Portfolio	0.0%	3.0%	0.0%
Risk Parity	0.0%	2.5%	2.5%
Total			<u>100.0%</u>

The following asset class allocation table was used for the 2017 valuation.

<u>Asset Class/Strategy</u>	<u>Assumed Asset Allocation</u>		
	<u>Low Range</u>	<u>High Range</u>	<u>Target</u>
Cash	0.0%	3.0%	0.0%
Debt Securities	15.0%	25.0%	20.0%
Public Equity	32.5%	42.5%	37.5%
Private Equity	13.5%	21.5%	17.5%
Real Estate	9.5%	15.5%	12.5%
Alternative Equity	0.0%	12.5%	12.5%
Opportunity Portfolio	0.0%	3.0%	0.0%
Total			<u>100.0%</u>

The breakdown of asset categories for the 2018 valuation is as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Compounded Annual Return (Geometric)</u>
Core Fixed Income	9.60%	4.07%
Short-Term Bonds	9.60%	3.68%
Bank/Leveraged Loans	3.60%	5.19%
High Yield Bonds	1.20%	5.74%
Large/Mid Cap US Equities	16.17%	6.30%
Small Cap US Equities	1.35%	6.68%
Micro Cap US Equities	1.35%	6.79%
Developed Foreign Equities	13.48%	6.91%
Emerging Foreign Equities	4.24%	7.69%
Non-US Small Cap Equities	1.93%	7.25%
Private Equities	17.50%	8.33%
Real Estate (Property)	10.00%	5.55%
Real Estate (REITS)	2.50%	6.69%
Hedge Fund of Funds - Diversified	1.50%	4.06%
Hedge Fund - Event-Driven	0.38%	5.59%
Timber	1.12%	5.61%
Farmland	1.12%	6.12%
Infrastructure	2.24%	6.67%
Commodities	1.12%	3.79%
Total	<u>100.00%</u>	
Assumed Inflation - Mean		2.50%

PORT OF TILLAMOOK BAY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE 8 - DEFINED BENEFIT PENSION PLAN (Continued)

The breakdown of asset categories for the 2017 valuation is as follows:

Asset Class	Target Allocation	Compounded Annual Return (Geometric)
Core Fixed Income	8.00%	3.49%
Short-Term Bonds	8.00%	3.38%
Bank/Leveraged Loans	3.00%	5.09%
High Yield Bonds	1.00%	6.45%
Large/Mid Cap US Equities	15.75%	6.30%
Small Cap US Equities	1.30%	6.69%
Micro Cap US Equities	1.30%	6.80%
Developed Foreign Equities	13.13%	6.71%
Emerging Foreign Equities	4.12%	7.45%
Non-US Small Cap Equities	1.88%	7.01%
Private Equities	17.50%	7.82%
Real Estate (Property)	10.00%	5.51%
Real Estate (REITS)	2.50%	6.37%
Hedge Fund of Funds - Diversified	2.50%	4.09%
Hedge Fund - Event-Driven	0.63%	5.86%
Timber	1.88%	5.62%
Farmland	1.88%	6.15%
Infrastructure	3.75%	6.60%
Commodities	1.88%	3.84%
Total	100.00%	
Assumed Inflation - Mean		2.50%

Depletion date projection

GASB 68 generally requires that a blended discount rate be used to measure the Total Pension Liability (the Actuarial Accrued Liability calculated using the Individual Entry Age Normal Cost Method). The long-term expected return on plan investments may be used to discount liabilities to the extent that the plan's Fiduciary Net Position is projected to cover benefit payments and administrative expenses. A 20-year high quality (AA/Aa or higher) municipal bond rate must be used for periods where the Fiduciary Net Position is not projected to cover benefit payments and administrative expenses. Determining the discount rate under GASB 68 will often require that the actuary perform complex projections of future benefit payments and pension plan investments. GASB 68 (paragraph 67) does allow for alternative evaluations of projected solvency, if such evaluation can reliably be made. GASB does not contemplate a specific method for making an alternative evaluation of sufficiency; it is left to professional judgment.

The following circumstances justify an alternative evaluation of sufficiency for PERS:

- PERS has a formal written policy to calculate an Actuarially Determined Contribution (ADC), which is articulated in the actuarial valuation report.

PORT OF TILLAMOOK BAY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE 8 - DEFINED BENEFIT PENSION PLAN (Continued)

- The ADC is based on a closed, layered amortization period, which means that payment of the full ADC each year will bring the plan to a 100% funded position by the end of the amortization period if future experience follows assumption.
- GASB 68 specifies that the projections regarding future solvency assume that plan assets earn the assumed rate return and there are no future changes in the plan provisions or actuarial methods and assumptions, which means that the projections would not reflect any adverse future experience which might impact the plan’s funded position.

Based on these circumstances, it is our independent actuary’s opinion that the detailed depletion date projections outlined in GASB 68 would clearly indicate that the Fiduciary Net Position is always projected to be sufficient to cover benefit payments and administrative expenses.

Discount rate

The discount rate used to measure the total pension liability was 7.20 percent for the Defined Benefit Pension Plan for June 30, 2021 and 2020. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Port's proportionate share of the net pension liability to changes in the discount rate

The following presents the Port's proportionate share of the net pension liability as of June 30, 2021, calculated using the discount rate of 7.20 percent, as well as what the Port's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate:

	<u>1% Decrease (6.20%)</u>	<u>Discount Rate (7.20%)</u>	<u>1% Increase (8.20%)</u>
Port's proportionate share of the net pension liability (asset)	\$ 2,597,102	\$ 1,748,987	\$ 1,037,804

The following presents the Port's proportionate share of the net pension liability as of June 30, 2020, calculated using the discount rate of 7.20 percent, as well as what the Port's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate:

	<u>1% Decrease (6.20%)</u>	<u>Discount Rate (7.20%)</u>	<u>1% Increase (8.20%)</u>
Port's proportionate share of the net pension liability (asset)	\$ 2,207,127	\$ 1,378,239	\$ 684,573

Pension plan fiduciary net position

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

PORT OF TILLAMOOK BAY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE 8 - DEFINED BENEFIT PENSION PLAN (Continued)

Changes in plan provisions prior to measurement period

There were no changes during the June 30, 2021 or 2020 measurement periods that require disclosure.

Changes in Plan Provisions During the Measurement Period

A legislative change that occurred during the measurement period affected the plan provisions reflected for financial reporting purposes. Senate Bill 1049, signed into law in June 2019, introduced a limit on the amount of annual salary included for the calculation of benefits. Beginning in 2020, annual salary in excess of \$195,000 (as indexed in future years) will be excluded when determining member benefits. As a result, future Tier 1/Tier 2 and OPSRP benefits for certain active members are now projected to be lower than prior to the legislation. Senate Bill 1049 was reflected in the June 30, 2019 Total Pension Liability as a reduction in liability.

Changes in plan provisions subsequent to measurement date

There were no changes subsequent to either the June 30, 2020 or June 30, 2019 measurement periods that require disclosure.

NOTE 9 - DEFINED BENEFIT PENSION PLAN - RAILROAD

Railroad employees participate in the Railroad Retirement Program and are immediately eligible to participate. The Railroad Retirement plan is a multi-employer defined benefit pension plan consisting of two parts. Tier I Railroad Retirement is similar to social security with both employee and employer contributing 6.2% of employee compensation. Tier II Railroad Retirement requires an employee contribution of 6.35% and an employer contribution of 13.10% of employee compensation. The Port's required contributions for the years ended June 30, 2021 and 2020 were \$1,239 and \$1,400 respectively.

PORT OF TILLAMOOK BAY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE 10 – POST EMPLOYMENT BENEFITS OTHER THAN PENSION

The other postemployment benefits (OPEB) for the Port combines two separate plans. The Port provides an implicit rate subsidy for retiree health insurance premiums, and a contribution to the State of Oregon’s PERS cost-sharing multiple-employer defined health insurance benefit plan.

Financial Statement Presentation

The Port’s two OPEB plans are presented in the aggregate on the Statement of Net Position. The amounts on the financial statements relate to the plans as follows as of June 30, 2021:

	Implicit Rate Subsidy	PERS RHIA Plan	Total OPEB on Financials
Net OPEB Asset	\$ -	\$ 2,255	\$ 2,255
Deferred Outflows of Resources			
Change in Assumptions	6,856	-	6,856
Difference in Expected and Actual Experience	1,897	-	1,897
Difference in Earnings	-	251	251
Change in Proportionate Share	-	6,930	6,930
Contributions After MD	2,082	82	2,164
Net OPEB Liability	(46,218)	-	(46,218)
Deferred Inflows of Resources			
Difference in Expected and Actual Experience	-	(231)	(231)
Difference in Earnings	-	-	-
Change in Assumptions	(1,596)	(120)	(1,716)
Change in Proportionate Share	-	(420)	(420)
OPEB Expense/(Income)*	6,485	2,917	9,402

*Included in program expenses on Statement of Activities

The amounts on the financial statements relate to the plans as follows as of June 30, 2020:

	Implicit Rate Subsidy	PERS RHIA Plan	Total OPEB on Financials
Net OPEB Asset	\$ -	\$ 15,232	\$ 15,232
Deferred Outflows of Resources			
Difference in Expected and Actual Experience	2,184	-	2,184
Change in Assumptions	5,038	-	5,038
Change in Proportionate Share	-	96	96
Contributions After MD	7,908	79	7,987
Total OPEB Liability	(45,736)	-	(45,736)
Deferred Inflows of Resources			
Difference in Expected and Actual Experience	-	(2,009)	(2,009)
Difference in Earnings	-	(940)	(940)
Change in Assumptions	(1,969)	(16)	(1,985)
Change in Proportionate Share	-	(850)	(850)
OPEB Expense/(Income)*	4,669	(2,358)	2,311

*Included in program expenses on Statement of Activities

PORT OF TILLAMOOK BAY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE 10 – POST EMPLOYMENT BENEFITS OTHER THAN PENSION (Continued)

Implicit Rate Subsidy

Plan Description - The Port’s single-employer defined benefit postemployment healthcare plan is administered by Special District Insurance Services (SDIS). Benefit provisions are established through negotiations between the Port and representatives of collective bargaining units or through resolutions passed by the Board. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

The Port’s postemployment healthcare plan administrator issues a publicly available financial report that includes financial statements and required supplementary information for SDIS. This report may be obtained through their website at: <https://www.sdao.com/financial-reports> .

The plan provides eligible retirees and their dependents under age 65 the same health care coverage at the same premium rates as offered to active employees. The retiree is responsible for the premiums. As of the valuation date of July 1, 2018, the following employees were covered by the benefit terms:

Active employees	21
Eligible retirees	1
Spouses of ineligible retirees	<u>0</u>
Total participants	<u><u>22</u></u>

Total OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - The Port’s total OPEB liability of \$46,218 and \$45,736 was measured as of June 30, 2021 and June 30, 2020 and was determined by an actuarial valuation as of July 1, 2018.

For the fiscal year ended June 30, 2021, the Port recognized OPEB expense from this plan of \$6,485. At June 30, 2020, the Port reported deferred outflows of resources and deferred inflows of resources related to this OPEB plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,897	\$ -
Changes of assumptions	<u>6,856</u>	<u>1,596</u>
Total (prior to post-MD contributions)	8,753	1,596
Contributions subsequent to the MD	<u>2,082</u>	<u>-</u>
Total	<u><u>\$ 10,835</u></u>	<u><u>\$ 1,596</u></u>

PORT OF TILLAMOOK BAY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE 10 – POST EMPLOYMENT BENEFITS OTHER THAN PENSION (Continued)

For the fiscal year ended June 30, 2021, the Port recognized OPEB expense from this plan of \$4,669. At June 30, 2020, the Port reported deferred outflows of resources and deferred inflows of resources related to this OPEB plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,184	\$ -
Changes of assumptions	5,038	1,969
Total (prior to post-MD contributions)	<u>7,222</u>	<u>1,969</u>
Contributions subsequent to the MD	7,908	-
Total	<u>\$ 15,130</u>	<u>\$ 1,969</u>

Deferred outflows of resources related to OPEB of \$2,082 resulting from the Port’s contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2022. Deferred outflows of resources related to OPEB of \$7,908 resulting from the Port’s contributions subsequent to the measurement date were recognized as an increase in the net OPEB asset in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year ended June 30:</u>	
2022	\$ 904
2023	904
2024	904
2025	907
2026	1,173
Thereafter	<u>2,365</u>
Total	<u>\$ 7,157</u>

PORT OF TILLAMOOK BAY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE 10 – POST EMPLOYMENT BENEFITS OTHER THAN PENSION (Continued)

Actuarial Assumptions and Other Inputs - The total OPEB liability in the July 1, 2019 valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Inflation Rate	2.50 percent
Discount Rate	2.21 percent
Projected Salary Increases	3.50 percent overall payroll growth
Retiree Healthcare Participation	30% of eligible employees 60% of male members and 35% of female members will elect spouse coverage.
Mortality	Health retirees and beneficiaries: Pub-2010 General and Safety Employee and Healthy Retiree tables, sex distinct for members and dependents, with a one-year setback for male general service employees and female safety employees. Healthcare cost trend rate: Medical and vision: 4.00 percent per year increasing to 5.25 percent. Dental: 4.00 percent per year

The total OPEB liability in the July 1, 2018 valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Inflation Rate	2.50 percent
Discount Rate	3.50 percent
Projected Salary Increases	3.50 percent overall payroll growth
Retiree Healthcare Participation	40% of eligible employees 60% of male members and 35% of female members will elect spouse coverage.
Mortality	Health retirees and beneficiaries: RP-2014 healthy annuitant, sex distinct mortality tables blended 50/50 blue collar and white collar, set back one year for males. Mortality is projected on a generational basis using the Unisex Social Security Data scale. Healthcare cost trend rate: Medical and vision: 7.00 percent per year decreasing to 4.75 percent. Dental: 4.50 percent per year

PORT OF TILLAMOOK BAY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE 10 – POST EMPLOYMENT BENEFITS OTHER THAN PENSION (Continued)

The discount rate was based on Bond Buyer 20-Year General Obligation Bond Index.

Changes in the Total OPEB Liability - Changes in assumptions is the result of the change in the discount rate from 2.21% to 3.50%.

	Net OPEB Liability
Balance as of June 30, 2020	\$ 45,736
Changes for the year:	
Service cost	3,978
Interest on total OPEB liability	1,603
Effect of changes to benefit terms	-
Effect of economic demographic gains or losses	-
Effect of assumptions changes or inputs	2,809
Benefit payments	<u>(7,908)</u>
Balance as of June 30, 2021	<u>\$ 46,218</u>
	Net OPEB Liability
Balance as of June 30, 2019	\$ 40,532
Changes for the year:	
Service cost	2,560
Interest on total OPEB liability	1,532
Effect of changes to benefit terms	5,701
Effect of economic demographic gains or losses	2,470
Effect of assumptions changes or inputs	-
Benefit payments	<u>(7,059)</u>
Balance as of June 30, 2020	<u>\$ 45,736</u>

PORT OF TILLAMOOK BAY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE 10 – POST EMPLOYMENT BENEFITS OTHER THAN PENSION (Continued)

Sensitivity of the Total OPEB Liability - The following presents the Port’s OPEB liability for fiscal year end June 30, 2021, as well as what the liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.21 percent) or 1-percentage-point higher (3.21 percent) than the current discount rate. A similar sensitivity analysis is then presented for changes in the healthcare trend assumption.

<u>Discount Rate:</u>			
	<u>1% Decrease (1.21%)</u>	<u>Current Discount Rate (2.21%)</u>	<u>1% Increase (3.21%)</u>
Net OPEB Liability	\$ 49,980	\$ 46,218	\$ 42,717
 <u>Healthcare Cost Trend:</u>			
	<u>1% Decrease</u>	<u>Current Health Care Trend Rates</u>	<u>1% Increase</u>
Net OPEB Liability	\$ 40,891	\$ 46,218	\$ 52,637

The following presents the Port’s OPEB liability for fiscal year end June 30, 2020, as well as what the liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.50 percent) or 1-percentage-point higher (4.50 percent) than the current discount rate. A similar sensitivity analysis is then presented for changes in the healthcare trend assumption.

<u>Discount Rate:</u>			
	<u>1% Decrease (2.5%)</u>	<u>Current Discount Rate (3.5%)</u>	<u>1% Increase (4.5%)</u>
Net OPEB Liability	\$ 49,628	\$ 45,736	\$ 42,168
 <u>Healthcare Cost Trend:</u>			
	<u>1% Decrease</u>	<u>Current Health Care Trend Rates</u>	<u>1% Increase</u>
Net OPEB Liability	\$ 40,611	\$ 45,736	\$ 51,904

PERS Retirement Health Insurance Account

Plan Description - The Port contributes to the PERS Retirement Health Insurance Account (RHIA) for each of its eligible employees. RHIA is a cost-sharing multiple-employer defined benefit other postemployment benefit plan administered by PERS. RHIA pays a monthly contribution toward the cost of Medicare companion health insurance premiums for eligible retirees. ORS 238.420 established this trust fund. Authority to establish and amend the benefit provisions of RHIA reside with the Oregon Legislature. The plan is closed to new entrants hired after August 29, 2003. PERS issues publicly available financial statements and required supplementary information. That report may be obtained by writing to Oregon Public Employees Retirement System, PO Box 23700, Tigard, OR 97281-3700, or online at http://Oregon.gov/PERS/section/financial_reports/financials.shtml.

PORT OF TILLAMOOK BAY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE 10 – POST EMPLOYMENT BENEFITS OTHER THAN PENSION (Continued)

Benefits Provided - Because RHIA was created by enabling legislation (ORS 238.420), contribution requirements of the plan members and the participating employers were established and may be amended only by the Oregon Legislature. ORS require that an amount equal to \$60 or the total monthly cost of Medicare companion health insurance premiums coverage, whichever is less, shall be paid from the RHIA established by the employer, and any monthly cost in excess of \$60 shall be paid by the eligible retired member in the manner provided in ORS 238.410. To be eligible to receive this monthly payment toward the premium cost, the member must: (1) have eight years or more of qualifying service in PERS at the time of retirement or receive a disability allowance as if the member had eight years or more of creditable service in PERS, (2) receive both Medicare Parts A and B coverage, and (3) enroll in a PERS-sponsored health plan. A surviving spouse or dependent of a deceased PERS retiree who was eligible to receive the subsidy is eligible to receive the subsidy if he or she (1) is receiving a retirement benefit or allowance from PERS or (2) was insured at the time the member died and the member retired before May 1, 1991.

Contributions - PERS funding policy provides for employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. Employer contribution rates for the period were based on the December 31, 2015 actuarial valuation. The rates based on a percentage of payroll, first became effective July 1, 2017. The Port's contribution rates for the period were 0.50% for Tier One/Tier Two members, and 0.43% for OPSRP members. The Port's total contributions for the years ended June 30, 2021 and 2020 were \$82 and \$79, respectively.

OPEB Assets, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - At June 30, 2021, the Port reported an asset of \$2,255 for its proportionate share of the OPERS net OPEB asset. At June 30, 2020, the Port reported an asset of \$15,232 for its proportionate share of the OPERS net OPEB asset. The net OPEB asset was measured as of June 30, 2020 and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2018 rolled forward to June 30, 2020. The Port's proportion of the net OPEB asset was based on the Port's contributions to the RHIA program during the measurement period relative to contributions from all participating employers. At June 30, 2021, the Port's proportionate share was 0.0011%, which is a decrease from its proportion of 0.0079% as of June 30, 2020.

PORT OF TILLAMOOK BAY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE 10 – POST EMPLOYMENT BENEFITS OTHER THAN PENSION (Continued)

For the year ended June 30, 2021, the Port recognized OPEB income from this plan of \$2,917. At June 30, 2021, the Port reported deferred outflows of resources and deferred inflows of resources related to this OPEB plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 231
Changes of assumptions	-	120
Net difference between projected and actual earnings on investments	251	-
Changes in proportionate share	6,930	420
Differences between employer contributions and proportionate share of contributions	-	-
Total (prior to post-MD contributions)	<u>7,181</u>	<u>771</u>
Contributions subsequent to the MD	<u>82</u>	<u>-</u>
Total	<u>\$ 7,263</u>	<u>\$ 771</u>

For the year ended June 30, 2020, the Port recognized OPEB income from this plan of \$2,358. At June 30, 2020, the Port reported deferred outflows of resources and deferred inflows of resources related to this OPEB plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 2,009
Changes of assumptions	-	16
Net difference between projected and actual earnings on investments	-	940
Changes in proportionate share	96	850
Differences between employer contributions and proportionate share of contributions	-	-
Total (prior to post-MD contributions)	<u>96</u>	<u>3,815</u>
Contributions subsequent to the MD	<u>79</u>	<u>-</u>
Total	<u>\$ 175</u>	<u>\$ 3,815</u>

Deferred outflows of resources related to OPEB of \$82 resulting from the Port's contributions subsequent to the measurement date will be recognized as an increase in the net OPEB asset in the year ended June 30, 2022. Deferred outflows of resources related to OPEB of \$79 resulting from the Port's contributions subsequent to the measurement date was recognized as an decrease in the net OPEB asset in the year ended June 30, 2021.

PORT OF TILLAMOOK BAY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE 10 – POST EMPLOYMENT BENEFITS OTHER THAN PENSION (Continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year ended June 30:</u>			
2022	\$	3,050	
2023		3,188	
2024		93	
2025		79	
2026		-	
Total	\$	<u>6,410</u>	

Actuarial Methods and Assumptions - The total OPEB asset in the December 31, 2018 actuarial valuation was determined using the actuarial methods and assumptions are the same as listed above in Note 8 Pension Plan Actuarial Assumptions and an additional assumption for healthcare cost trend rate ranging from 6.3% in 2016 to 4.4% in 2094.

Long-Term Expected Rate of Return - Are the same as listed above in Note 8 – Pension Plan Long-term Expected Rate of Return.

Discount Rate - The discount rate used to measure the total OPEB liability was 7.20% for the RHIA Plan at June 30, 2020 and June 30, 2019 measurement dates. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the RHIA plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the RHIA Plan was applied to all periods of projected benefit payments to determine the net OPEB liability.

Sensitivity of the Port’s proportionate share of the net OPEB liability (asset) to changes in the discount rate - The following presents the Port’s proportionate share of the net OPEB liability (asset) calculated using the discount rate of 7.20%, as well as what the Port’s proportionate share of the net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20%) or 1-percentage-point higher (8.20%) than the current rate for the year ended June 30, 2021:

Discount Rate:

	<u>1% Decrease (6.20%)</u>	<u>Current Discount Rate (7.20%)</u>	<u>1% Increase (8.20%)</u>
Net OPEB Asset	\$ (1,821)	\$ (2,255)	\$ (2,627)

The following presents the Port’s proportionate share of the net OPEB liability (asset) calculated using the discount rate of 7.20%, as well as what the Port’s proportionate share of the net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20%) or 1-percentage-point higher (8.20%) than the current rate for the year ended June 30, 2020:

PORT OF TILLAMOOK BAY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE 10 – POST EMPLOYMENT BENEFITS OTHER THAN PENSION (Continued)

Discount Rate:

	<u>1% Decrease (6.20%)</u>	<u>Current Discount Rate (7.20%)</u>	<u>1% Increase (8.20%)</u>
Net OPEB Asset	\$ (11,808)	\$ (15,232)	\$ (18,148)

OPEB Plan Fiduciary Net Position - Detailed information about the pension plan’s fiduciary net position is available in the separately issued OPERS financial report.

Changes in Plan Provisions During the Measurement Period - There were no changes during either the June 30, 2021 or 2020 measurement periods that require disclosure.

Changes in Plan Provisions Subsequent to Measurement Date - There were no changes subsequent to either the June 30, 2021 or the June 30, 2020 measurement period that require disclosure.

NOTE 11 - 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. No settlements of any claims exceeded the insurance coverage in the past three years.

NOTE 12 - COMMITMENTS AND CONTINGENCIES

Grant revenue - The Port receives a significant amount of revenue from various governmental grants. These grants are subject to audit/review by the grantor agencies. As closure of FEMA funded projects is continuing, there is some uncertainty of ineligible reimbursements. At this time, any finding from these audits is not anticipated to have a material impact on the financial statements.

Litigation- From time to time the Port may be involved in legal actions, which normally occur in governmental operations. Legal claims are defended by the Port’s insurance company and management believes any proceedings known to exist at June 30, 2021 and 2020, are not likely to have a material adverse impact on the Port’s financial position.

NOTE 13 - POLLUTION REMEDIATION

The Port implemented GASB 49 on the accounting and reporting of pollution remediation activities in 2009. The Port has identified a few projects that may be undertaken in future years to remediate possible soil contamination and asbestos in several buildings. As of June 30, 2021, the Port had not incurred any obligating events and has not yet conducted studies necessary to determine remediation alternatives or estimated costs. Therefore, no liability has been recognized.

PORT OF TILLAMOOK BAY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE 14 – ASSET RETIREMENT OBLIGATION

The Port implemented GASB 83 on the accounting and financial reporting of certain asset retirement obligations in fiscal year 2019. The Port has identified the digester it leases to BioGas to have possible retirement obligations upon decommissioning. Under terms of the lease, the lessee is responsible for obligations related to retirement of the asset. As the Port is the legal owner of the digester, asset retirement obligations could become the responsibility of the Port if the lessee defaults on the agreement. As of June 30, 2021, the Port had not incurred any obligating events. Therefore, no liability has been recognized.

NOTE 15 - CLOSURE AND POST-CLOSURE CARE COST

State and federal laws and regulations require the Port to place a final cover on its Tillamook Landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for ten years after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the Port reports a portion of these closure and post-closure care costs as an operating expense in each period based on landfill capacity used as of each Statement of net position date. Total post-closure costs are currently estimated to be \$1,409,706. To date, the landfill has received waste filling 84.84% of its capacity. As a result, the Port has expensed \$1,195,995 of post-closure care costs in prior years as the waste was being received. To date, the Port has incurred \$300,000 of costs applied to its post-closure activities, resulting in an accrual of \$890,498. The Port will recognize the remaining estimated cost of closure and post-closure care of \$213,711 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and post-closure care in 2021 and 2020. Actual cost may be higher due to inflation, changes in technology, or changes in regulations. At the current and expected low rate of material to be accepted into the landfill annually, management cannot estimate the year of closure.

Each year the Port demonstrates financial assurance about the closure and post-closure care activities for the two landfills, #1107 and #1132, by using the local government financial assurance test described in Title 40 of the Code of Federal Regulations, paragraph 258.74. Continuing the review from 2013, the most recent analysis, the Port did meet the stringent percentage requirements with the local government financial assurance test as required by Oregon Administrative Rule 340-94-0140. As of March 2014, DEQ determined that financial assurance for #1107 is no longer a liability. The Port has continued working with DEQ on the financial assurance requirements and received a letter from DEQ in November of 2016 stating that site #1132 is now considered low risk, and is exempt from financial assurance requirements, as the site is now in the interim closure status.

PORT OF TILLAMOOK BAY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE 16 – RISKS AND UNCERTAINTIES

During March 2020, a global pandemic was declared by the World Health Organization related to the rapidly growing outbreak of a novel strain of coronavirus (COVID-19). The pandemic has significantly impacted the economic conditions in the U.S., accelerating during the first half of March, as federal, state and local governments react to the public health crisis, creating significant uncertainties in the U.S. economy. The situation is rapidly changing and additional impacts may arise that we are not aware of currently. While the disruption is currently expected to be temporary, there is uncertainty around the duration. The ultimate impact of the pandemic on the results of operations, financial position, liquidity or capital resources cannot be reasonably estimated at this time.

REQUIRED SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements.

- Schedule of the Proportionate Share of the Net Pension Liability
- Schedule of Contributions
- Schedule Proportionate Share - RHIA
- Schedule of Contributions - RHIA
- Schedule of Changes in Total OPEB Liability and Related Ratios - SDIS
- Schedule of Contributions - SDIS

PORT OF TILLAMOOK BAY
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
For the Last Ten Fiscal Years¹

Measurement Date June 30,	(a) Port's proportion of the net pension liability (asset)	(b) Port's proportionate share of the net pension liability (asset)	(c) Port's covered payroll	(b/c) Port's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2020	0.00801426%	\$ 1,748,987	\$ 871,388	200.71%	75.80%
2019	0.00796780%	1,378,239	847,870	165.55%	80.20%
2018	0.00873267%	1,322,884	760,868	173.87%	82.10%
2017	0.00887507%	1,196,363	789,616	151.51%	83.10%
2016	0.00781601%	1,173,365	737,864	159.02%	80.53%
2015	0.00715800%	410,974	680,586	60.39%	91.90%
2014	0.10045440%	(227,701)	640,247	-35.56%	103.60%
2013	0.10045440%	673,613	600,184	112.23%	91.97%

The amounts presented for each fiscal year were actuarial determined at December 31 and rolled forward to the measurement date.

¹This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

NOTES TO SCHEDULE

Changes in Benefit Terms:

The 2013 Oregon Legislature made a series of changes to PERS that lowered projected future benefit payments from the System. These changes included reductions to future Cost of Living Adjustments (COLA) made through Senate Bills 822 and 861. Senate Bill 822 also required the contribution rates scheduled to be in effect from July 2013 to June 2015 to be reduced. The Oregon Supreme Court decision in *Moro v. State of Oregon*, issued on April 30, 2015, reversed a significant portion of the reductions the 2013 Oregon Legislature made to future System Cost of Living Adjustments (COLA) through Senate Bills 822 and 861. This reversal increased the total pension liability as of June 30, 2015 compared to June 30, 2014 total pension liability.

A legislative change that occurred after the December 31, 2017 valuation date affected the plan provisions reflected for financial reporting purposes. Senate Bill 1049, signed into law in June 2019, introduced a limit on the amount of annual salary included for the calculation of benefits. Beginning in 2020, annual salary in excess of \$195,000 (as indexed in future years) will be excluded when determining member benefits. As a result, future Tier 1/Tier 2 and OPSRP benefits for certain active members are now projected to be lower than prior to the legislation. Senate Bill 1049 was reflected in the June 30, 2019 Total Pension Liability as a reduction in liability.

Changes of Assumptions:

The PERS Board adopted assumption changes that were used to measure the June 30, 2016 total pension liability and June 30, 2018 total pension liability. For June 30, 2016, the changes included the lowering of the long-term expected rate of return to 7.50 percent and lowering of the assumed inflation to 2.50 percent. For June 30, 2018, the long-term expected rate of return was lowered to 7.20 percent. In addition, the healthy mortality assumption was changed to reflect an updated mortality improvement scale for all groups, and assumptions were updated for merit increases, unused sick leave, and vacation pay were updated.

**PORT OF TILLAMOOK BAY
SCHEDULE OF CONTRIBUTIONS
For the Last Ten Fiscal Years¹**

Year Ended June 30,	(a) Statutorily required contribution	(b) Contributions in relation to the statutorily required contribution	(a-b) Contribution deficiency (excess)	(c) Port's covered payroll	(b/c) Contributions as a percent of covered payroll
2021	\$ 157,884	\$ 157,884	\$ -	\$ 899,741	17.55%
2020	121,173	121,173	-	871,388	13.91%
2019	111,082	111,082	-	847,870	13.10%
2018	89,566	89,566	-	760,868	11.77%
2017	78,975	78,975	-	789,616	10.00%
2016	77,872	77,872	-	737,864	10.55%
2015	61,132	61,132	-	680,586	8.98%
2014	62,203	62,203	-	640,247	9.72%

The amounts presented for each fiscal year were actuarial determined at December 31 and rolled forward to the measurement date.

¹This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

NOTES TO SCHEDULE

Actuarial Assumptions and Methods Used to Set the Actuarially Determined Contributions

	December 31, 2017	December 31, 2015	December 31, 2013	December 31, 2011
Actuarial valuation	July 2019 - June 2021	July 2017 - June 2019	July 2015 - June 2017	July 2013 - June 2015
Effective	Entry Age Normal			Projected Unit Credit
Actuarial cost method	Level percentage of payroll			
Amortization method	Market Value			
Asset valuation method	20 years			N/A
Remaining amortization periods	Actuarial assumptions:			
Inflation rate	2.50 percent		2.75 percent	
Projected salary increases	3.50 percent			
Investment rate of return	7.20 percent	7.50 percent	7.75 percent	8.00 percent

PORT OF TILLAMOOK BAY
SCHEDULE OF PROPORTIONATE SHARE OF OPEB - RHIA
For the Last Ten Fiscal Years¹

Measurement Date June 30,	(a) Port's proportion of the net OPEB liability (asset)	(b) Port's proportionate share of the net OPEB liability (asset)	(c) Port's covered payroll	(b/c) Port's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total OPEB liability
2020	0.00110683%	\$ (2,255)	\$ 871,388	-0.26%	150.1%
2019	0.00788242%	(15,232)	847,870	-1.80%	144.4%
2018	0.00642172%	(7,168)	760,868	-0.94%	124.0%
2017	0.00750598%	(3,133)	789,616	-0.40%	108.9%

The amounts presented for each fiscal year were actuarial determined at December 31 and rolled forward to the measurement date.

¹This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

NOTES TO SCHEDULE

Changes of Assumptions:

The PERS Board adopted assumption changes that were used to measure the June 30, 2018 total OPEB liability. The changes include lowering of the long-term expected rate of return to 7.20 percent. In addition, healthy retiree participation and healthy mortality assumptions were changes to reflect an updated trends and mortality improvement scale for all groups.

PORT OF TILLAMOOK BAY
SCHEDULE OF CONTRIBUTIONS TO OPEB - RHIA
For the Last Ten Fiscal Years¹

Year Ended June 30,	(a) Contractually determined contribution	(b) Contributions in relation to the actuarially required contribution	(a-b) Contribution deficiency (excess)	(c) Port's covered payroll	(b/c) Contributions as a percent of covered payroll
2021	\$ 82	\$ 82	-	\$ 899,741	0.80%
2020	79	79	-	871,388	0.01%
2019	3,907	3,907	-	847,870	0.46%
2018	3,109	3,109	-	760,868	0.41%
2017	3,737	3,737	-	789,616	0.47%

The amounts presented for each fiscal year were actuarial determined at December 31 and rolled forward to the measurement date.

¹This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

NOTES TO SCHEDULE

Actuarial Assumptions and Methods Used to Set the Actuarially Determined Contributions

Actuarial valuation:	December 31, 2017	December 31, 2015	December 31, 2013	December 31, 2011
Effective:	July 2019 - June 2021	July 2017 - June 2019	July 2015 - June 2017	December 31, 2011
Actuarial cost method:	Entry Age Normal			Projected Unit Credit
Amortization method:	Level percentage of payroll, closed			
Amortization period:	10 years			
Asset valuation method:	Market value			
Remaining amortization periods:	10 years	20 years		N/A
Actuarial assumptions				
Inflation rate	2.50 percent		2.75 percent	
Projected salary increases	3.50 percent		3.75 percent	
Investment rate of return	7.20 percent	7.50 percent	7.75 percent	8.00 percent
Healthcare cost trend rates	None. Statute stipulates \$60 monthly payment for healthcare insurance			

PORT OF TILLAMOOK BAY
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS - SDIS
For the Last Ten Fiscal Years¹

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability				
Service Interest	\$ 3,978	\$ 2,560	\$ 2,537	\$ 2,686
Interest	1,604	1,532	1,537	1,345
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	-	2,470	-	-
Changes of assumptions	2,808	5,701	(835)	(2,149)
Benefit payment	<u>(7,908)</u>	<u>(7,059)</u>	<u>(6,132)</u>	<u>(5,882)</u>
Net change in total OPEB liability	482	5,204	(2,893)	(4,000)
Total OPEB liability - beginning	<u>45,736</u>	<u>40,532</u>	<u>43,425</u>	<u>47,425</u>
Total OPEB liability - ending (a)	<u>\$ 46,218</u>	<u>\$ 45,736</u>	<u>\$ 40,532</u>	<u>\$ 43,425</u>
Covered-employee payroll	\$ 871,388	\$ 847,870	\$ 760,868	\$ 789,616
Total OPEB liability as a percentage of covered-employee payroll	5.30%	5.39%	5.33%	5.50%

NOTES TO SCHEDULE

The amounts presented for each fiscal year were actuarial determined at July 1 and rolled forward to the measurement date.

¹This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

PORT OF TILLAMOOK BAY
SCHEDULE OF CONTRIBUTIONS TO OPEB - SDIS
For the Last Ten Fiscal Years¹

Year Ended June 30,	(a) Actuarially determined contribution	(b) Contributions in relation to the actuarially required contribution	(a-b) Contribution deficiency (excess)	(c) Port's covered payroll	(b/c) Contributions as a percent of covered payroll
2021	\$ 2,082	\$ 2,082	\$ -	\$ 899,741	0.76%
2020	7,908	7,908	-	871,388	0.91%
2019	7,059	7,059	-	847,870	0.83%
2018	27,024	27,024	-	760,868	3.55%
2017	23,634	23,634	-	789,616	2.99%

¹This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

NOTES TO SCHEDULE

Actuarial Assumptions and Methods Used to Set the Actuarially Determined Contributions

Actuarial valuation:	July 1, 2019	July 1, 2017
Effective:	June 30, 2019 and 2020	June 30, 2016, 2017 and 2018
Actuarial cost method:	Entry Age Normal	
Amortization method:	Level percentage of payroll, closed	
Amortization period:	8.6 years	8.0 years
Asset valuation method:	Market value	
Remaining amortization periods:	20 years	
Actuarial assumptions:		
Inflation rate	2.50 percent	
Projected salary increases	3.50 percent	

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SUPPLEMENTARY INFORMATION

SUPPLEMENTARY INFORMATION

Supplementary information includes financial statements and schedules not required by GASB, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

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 fund:

General Fund

As the Port's only fund, the General Fund is used to account for the operations of the Port's industrial park and railroad operations. These operations include the lease of industrial and commercial property, airport activities including hangar rentals, the air museum, railroad activities, and sewer and water services.

**PORT OF TILLAMOOK BAY
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2021**

	Actual - GAAP Basis	GAAP to Budgetary Basis Adjustments	Actual - Budgetary Basis	Budget		Variance with Final Budget
				Original	Final	
REVENUES:						
Charges for services	\$ 655,760	\$ -	\$ 655,760	\$ 579,950	\$ 579,950	\$ 75,810
Building and land rent	2,265,938	-	2,265,938	2,075,410	2,075,410	190,528
Museum	406,919	-	406,919	731,100	731,100	(324,181)
Airport revenues	93,236	-	93,236	159,000	159,000	(65,764)
Railroad revenues	299,276	-	299,276	508,000	508,000	(208,724)
Property and other taxes	75,670	-	75,670	139,715	139,715	(64,045)
Interest income	25,809	-	25,809	26,555	26,555	(746)
Grant revenue	343,519	-	343,519	3,660,000	3,660,000	(3,316,481)
Miscellaneous income	416,937	6,887	423,824	543,600	543,600	(119,776)
Insurance proceeds	156,358	-	156,358	5,000	5,000	151,358
Gain on sale of assets	13,891	-	13,891	-	-	13,891
Total revenues	4,753,313	6,887	4,760,200	8,428,330	8,428,330	(3,668,130)
EXPENDITURES:						
Materials and services	1,806,686	(60,735)	1,745,951	2,237,050	2,237,050	491,099
Personnel services	1,812,317	(230,275)	1,582,042	1,769,009	1,769,009	186,967
Capital outlay	-	209,908	209,908	4,211,554	4,211,554	4,001,646
Debt service:						
Principal	-	334,077	334,077	305,662	305,662	(28,415)
Interest	351,733	158,829	510,562	324,400	324,400	(186,162) *
Depreciation	2,887,759	(2,887,759)	-	-	-	-
Total expenditures	6,858,495	(2,475,955)	4,382,540	8,847,675	8,847,675	4,465,135
Revenues over (under) expenditures	(2,105,182)	2,482,842	377,660	(419,345)	(419,345)	797,005
Changes in net position	<u>\$ (2,105,182)</u>	<u>\$ 2,482,842</u>	377,660	(419,345)	(419,345)	797,005
FUND BALANCE, BEGINNING BUDGETARY-BASIS			<u>2,012,585</u>	<u>1,199,689</u>	<u>1,199,689</u>	<u>812,896</u>
FUND BALANCE, ENDING BUDGETARY-BASIS			<u>\$ 2,390,245</u>	<u>\$ 780,344</u>	<u>\$ 780,344</u>	<u>\$ 1,609,901</u>

*Budget appropriations at department level see General Fund - Schedule of Expenditures - Budget and Actual

PORT OF TILLAMOOK BAY
GENERAL FUND - BUDGETARY BASIS
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2021

	Budget		Actual - Budgetary Basis	Variance with Final Budget
	Original	Final		
Administration				
Personnel services	\$ 392,847	\$ 392,847	\$ 381,371	\$ 11,476
Materials and services	183,600	183,600	181,454	2,146 *
Debt Service	11,554	11,554	11,554	-
Subtotal	<u>588,001</u>	<u>588,001</u>	<u>574,379</u>	<u>13,622</u>
Airport				
Personnel services	280,243	280,243	220,251	59,992
Materials and services	260,440	260,440	180,890	79,550
Capital outlay	3,640,000	3,640,000	156,484	3,483,516
Debt Service	1,851	1,851	1,851	- *
Subtotal	<u>4,182,534</u>	<u>4,182,534</u>	<u>559,476</u>	<u>3,623,058</u>
Industrial Park				
Personnel services	415,066	415,066	420,489	(5,423) *
Materials and services	846,900	846,900	396,098	450,802
Capital outlay	300,000	300,000	370,116	(70,116) *
Debt Service	574,321	574,321	758,064	(183,743) *
Subtotal	<u>2,136,287</u>	<u>2,136,287</u>	<u>1,944,767</u>	<u>191,520</u>
Utilities				
Personnel services	184,422	184,422	146,572	37,850
Materials and services	345,040	345,040	207,969	137,071
Capital outlay	271,554	271,554	33,390	238,164
Debt Service	15,985	15,985	15,985	- *
Subtotal	<u>817,001</u>	<u>817,001</u>	<u>403,916</u>	<u>413,085</u>
Rail Road Management				
Personnel services	51,856	51,856	40,732	11,124
Materials and services	297,120	297,120	261,301	35,819
Debt Service	26,350	26,350	54,767	(28,417) *
Subtotal	<u>375,326</u>	<u>375,326</u>	<u>356,800</u>	<u>18,526</u>
Museum:				
Personnel services	444,575	444,575	372,627	71,948
Materials and services	303,950	303,950	170,428	133,522
Capital outlay	-	-	147	(147) *
Subtotal	<u>748,525</u>	<u>748,525</u>	<u>543,202</u>	<u>205,323</u>
Total expenditures	<u>\$ 8,847,674</u>	<u>\$ 8,847,674</u>	<u>\$ 4,382,540</u>	<u>\$ 4,465,134</u>

* Budgetary appropriation is at department level.

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AUDIT COMMENTS AND DISCLOSURES

**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 Tillamook Bay, Oregon

We 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 Port of Tillamook Bay as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Port of Tillamook Bay's basic financial statements, and have issued our report thereon dated January 31, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Port of Tillamook Bay's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Port of Tillamook Bay's internal control. Accordingly, we do not express an opinion on the effectiveness of Port of Tillamook Bay'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.

Our 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 our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Port of Tillamook Bay's financial statements are free from material misstatement, we 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our 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 our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



For Merina+Co
Tualatin, Oregon
January 31, 2022

**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH OREGON STATE REGULATION**

The Board of Commissioners
Port of Tillamook Bay, Oregon

We have audited the basic financial statements of Port of Tillamook Bay, as of and for the year ended June 30, 2021 and have issued our report thereon dated January 31, 2022. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the *Minimum Standards of Audits of Oregon Municipal Corporations*, prescribed by the Secretary of State and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Report on Compliance

As part of obtaining reasonable assurance about whether Port of Tillamook Bay's financial statements are free of material misstatement, we 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 the Oregon Administrative Rules 162-10-0000 through 162-10-0330 of the *Minimum Standards for Audits of Oregon Municipal Corporations*, as set forth below, noncompliance with which could have a direct and material effect on the financial statements:

- Deposits of public funds with financial institutions (ORS Chapter 295).
- Indebtedness limitations, restrictions, and repayments.
- Budgets legally required (ORS Chapter 294).
- Insurance and fidelity bonds in force or required by law.
- Programs funded from outside sources.
- Highway revenues used for public highways, roads, and streets. The Port of Tillamook Bay does not receive highway revenues.
- Authorized investment of surplus funds. (ORS Chapter 294).
- Public contracts and purchasing (ORS Chapters 279A, 279B, and 279C).
- Accountability for collecting or receiving money by elected officials. The Port of Tillamook Bay does not have any elected officials collecting or receiving money.

However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Minimum Standards for Audits of Oregon Municipal Corporations*.

Internal Control Over OAR 162-10-0230

In planning and performing our audit of the financial statements, we considered Port of Tillamook Bay's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the

circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Port of Tillamook Bay's internal control. Accordingly, we do not express an opinion on the effectiveness of Port of Tillamook Bay'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.

Our 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 our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Minimum Standards of Audits of Oregon Municipal Corporations*, prescribed by the Secretary of State, in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



For Merina+Co
Tualatin, Oregon
January 31, 2022