

**PORT OF UMPQUA
Douglas County, Oregon**

AUDIT REPORT

as of

JUNE 30, 2011

Prepared By
SIGNE GRIMSTAD
Certified Public Accountant
530 NW 3rd, Suite E
PO Box 1930
Newport, Oregon

**PORT OF UMPQUA
Douglas County, Oregon**

BOARD OF COMMISSIONERS

President	Steve Reese PO Box 164 Reedsport, OR 97467
Vice-President	Dixie Hash PO Box 222 Gardiner, OR 97441
Secretary	Barry Nelson PO Box 1641 Winchester Bay, OR 97467
Treasurer	Debbie Williams 1949 Dogwood Reedsport, OR 97467
Assistant Secretary	Keith Tymchuk 1405 Ranch Road Reedsport, OR 97467

ADMINISTRATION

Port Manager	Charmaine Vitek
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REGISTERED AGENT

David Anderson
PO Box 238
Reedsport, OR 97467

**PORT OF UMPQUA
Douglas County, Oregon**

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GRIMSTAD & ASSOCIATES

Certified Public Accountants

November 5, 2011

INDEPENDENT AUDITOR'S REPORT

Newport Office:
P.O. Box 1930
530 N.W. 3rd St. Ste E
Newport, OR 97365
(541) 265-5411
Fax (541) 265-9255
info@grimstad-assoc.com

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

Board of Commissioners
Port of Umpqua
Reedsport, Oregon

I have audited the accompanying financial statements of the Port of Umpqua as of and for the year ended June 30, 2011, as listed in the table of contents. These financial statements are the responsibility of the Port of Umpqua's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Port of Umpqua as of June 30, 2011, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Port of Umpqua's financial statements taken as a whole. The accompanying supplemental schedules, identified in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.


SIGNE GRIMSTAD
Certified Public Accountant

Members:
AICPA, OSCP & OAIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Port of Umpqua (Port), we offer readers of the Port's financial statements this narrative overview and analysis of the financial business-type activities of the Port for the fiscal years ended June 30, 2011 and 2010. This management discussion and analysis is presented at the front of each year's financial statements. We encourage readers to consider the information presented in conjunction with additional information that we have furnished in the Port's financial statements and the notes thereto, which follow this narrative. The Port's audit report for the year ended June 30, 2011 was unmodified with no qualifications or exceptions noted.

The Port's basic financial statements include:

- Statement of Net Assets for proprietary/business-type activities that provides an overview of assets owned by the Port, the debts owned by the Port and the net difference available as a resource for future operations and activities.
- Statement of Revenues, Expenses and Changes in Fund Net Assets that summarizes the operation expenses of the Port and how operation revenues, taxes, grants and other resources cover those expenditures.
- Statement of Cash Flows that provides an objective summary of the financial condition of the Port as actual cash is received and disbursed.

Overview of Financial Statements

The Statement of Net Assets shows information concerning the Port's assets, liabilities and net assets. Net assets are the difference between assets and liabilities. Increases or decreases may indicate, over time, if the financial position of the Port is improving or deteriorating.

The following condensed financial information summarizes the Port's financial position for the fiscal year ending June 30 as follows:

Assets	2011	2010	Variance
Current & Other assets \$	1,140,180	\$ 1,282,206	\$ (142,026)
Capital assets, net of accum.dep	<u>1,398,987</u>	<u>1,284,510</u>	<u>114,477</u>
 Total assets	 2,539,167	 2,566,716	 (27,549)
 Liabilities			
Current & other liabilities	45,402	39,304	6,098
Long-term liabilities	<u>267,487</u>	<u>303,780</u>	<u>(36,293)</u>
 Total liabilities	 <u>312,889</u>	 <u>343,084</u>	 <u>(30,195)</u>
 Net Assets			
Invested in capital assets net Of related debt	1,100,720	953,368	147,352
Unrestricted	<u>1,125,557</u>	<u>1,270,264</u>	<u>(144,707)</u>
 Total net assets \$	 <u>2,226,277</u>	 \$ 2,223,632	 \$ 2,645

Summary of Operations and Changes in Net Assets

Below is a summary of operations of the current fiscal year ending June 30, 2011 compared to the prior year.

Change in Assets at Fiscal Year End

	<u>2011</u>		<u>2010</u>		<u>Variance</u>
Revenues					
Charges for services	\$ 26,797	\$	22,018	\$	4,779
Leases & rentals	14,017		12,323		1,694
Miscellaneous	1,000		499		501
Sale of state forest	0		3,156		(3,156)
Property taxes	181,590		178,764		2,826
Investment income	20,820		26,334		(5,514)
Grant	30,986		0		30,986
CB wagon road	96,188		106,729		(10,541)
IB bond fees – interest	<u>12,375</u>		<u>12,375</u>		<u>0</u>
Total revenues	<u>383,773</u>		<u>362,198</u>		<u>21,575</u>
Expenses					
Services	300,252		250,982		49,270
Interest	11,120		12,617		(1,497)
Depreciation	<u>69,754</u>		<u>66,905</u>		<u>2,849</u>
Total expenses	<u>381,126</u>		<u>330,504</u>		<u>50,622</u>
Increase in net assets	2,647		31,694		<u>(29,047)</u>
Net assets – July 1	<u>2,223,630</u>		<u>2,191,939</u>		
Net assets – June 30	\$ <u>2,226,277</u>	\$	<u>2,223,633</u>		

Financial Highlights

The Port of Umpqua is an enterprise fund similar to a commercial entity for reporting purposes. From the summary, it is apparent operation revenues do not meet operational expenses, requiring property taxes and other non-operational sources to support the enterprise.

Debt Administration

In the 2010-2011 fiscal year the Port made all debt service payments totaling \$44,886 of principal and interest. All loans and obligations were maintained current throughout the year with no long-term or short-term borrowing.

Budgetary Highlights

Revenues and expenses remained within the existing budget requirements. The Board had one inter fund appropriations transfer from contingency due to unanticipated need for professional services for the acquisition of real property. The Port purchased two commercial office building

with plans to locate the Port offices there and provide office space for business to start, expand or relocate.

Economic Outlook

During the 2010-2011 fiscal years the Port maintained its level of service to the patrons of the Port. The dismal state of the economy, both nationally and locally, continues to affect revenue in the fiscal year 2010-2011. The local fishing industry saw sustained catch levels but enjoyed an increase in price per pound for some seafood products.

Also due to the poor economic outlook and the Federal budget crisis, the US Army Corp of Engineers budget for maintenance dredging of the Umpqua River federal channel and bar entrance was not funded for the 2012 work year. Insufficient maintenance dredging could impact the navigability of the river, impacting the Port's operation.

Financial Contact

The Port's financial statements are designed to present citizens, taxpayers, investors and creditors with a general overview of the Port's finances and to demonstrate the Port's accountability. If you have questions about this report or need additional financial information, please contact the Port Manager at 1687 Winchester Avenue, Reedsport Oregon, 97467.

**PORT OF UMPQUA
Douglas County, Oregon**

STATEMENT OF NET ASSETS as of June 30, 2011

ASSETS

Current Assets

Cash & cash equivalents	\$ 1,107,466
Receivables	27,383
Prepaid expenses	<u>5,331</u>
Total current assets	<u>1,140,180</u>

Capital Assets

Land	166,682
Buildings & equipment, net of accu. dep.	<u>1,232,305</u>
Total capital assets	<u>1,398,987</u>

Total assets \$ 2,539,167

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	\$ 2,898
Interest payable	6,774
Compensated absences	4,950
Current portion of long-term debt	<u>30,780</u>
Total current liabilities	45,402

Long-term Liabilities

Long-term debt, net of current portion	<u>267,487</u>
Total liabilities	<u>312,889</u>

Net Assets

Invested in fixed assets, net of related debt	1,100,720
Unrestricted	<u>1,125,557</u>
Total net assets	<u>2,226,277</u>
Total liabilities & net assets	<u><u>\$ 2,539,167</u></u>

The notes to the financial statements are an integral part of this statement.

**PORT OF UMPQUA
Douglas County, Oregon**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND NET ASSETS for the Year Ended June 30, 2011**

OPERATING REVENUES	
Charges for services	\$ 26,797
Leases & rentals	14,017
Miscellaneous	<u>1,000</u>
 Total operating revenues	 <u>41,814</u>
OPERATING EXPENSES	
Personal services	92,145
Materials & services	111,919
Depreciation	<u>69,754</u>
 Total operating expenses	 <u>273,818</u>
 Operating Income (Loss)	 <u>(232,004)</u>
NON-OPERATING REVENUE (EXPENSES)	
Coos Bay Wagon Road fees	96,188
Property taxes	181,590
Bond fees	12,375
Interest income	20,820
Grant	30,986
Coos Bay Wagon Road expense	(96,188)
Interest expense	<u>(11,120)</u>
 Total non-operating revenue (expenses)	 <u>234,651</u>
 Change in net assets	 2,647
 NET ASSETS - Beginning of year	 <u>2,223,630</u>
 NET ASSETS - End of year	 <u>\$ 2,226,277</u>

The notes to the financial statements are an integral part of this statement.

**PORT OF UMPQUA
Douglas County, Oregon**

STATEMENT OF CASH FLOWS for the Year Ended June 30, 2011

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from customers	\$ 50,974
Cash payments for goods and services	(122,353)
Cash payments for employees and benefits	(90,211)
Net cash provided (used) by operating activities	<u>(161,590)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Taxes collected	178,885
Coos Bay Wagon Road fees	96,188
Coos Bay Wagon Road expense	(96,188)
Bond fees	12,375
Net cash provided (used) by noncapital financing activities	<u>191,260</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Note principal received	238,985
Principal paid on debt	(32,875)
Interest paid on debt	(12,012)
Capital acquisitions	(184,231)
Grant	30,986
Net cash provided (used) by capital and related financing activities	<u>40,853</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	<u>21,074</u>
Net increase (decrease) in cash & cash equivalents	91,597
Cash & cash equivalents - Beginning of year	<u>1,015,869</u>
Cash & cash equivalents - End of year	<u>\$ 1,107,466</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating income (loss)	\$ (231,004)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities	
Depreciation	69,754
(Increase) decrease in operating assets	
Accounts receivables	(3,215)
Prepaid expenses	304
Increase (decrease) in operating liabilities	
Accounts payable	1,637
Compensated Absences	1,934
Net cash provided (used) by operating activities	<u>\$ (160,590)</u>

The notes to the financial statements are an integral part of this statement.

**PORT OF UMPQUA
Douglas County, Oregon**

**NOTES TO FINANCIAL STATEMENTS
as of June 30, 2011**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Port of Umpqua complies with Generally Accepted Accounting Principles (GAAP). The Port presents its financial activity as a proprietary fund, applying Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

The accounting and reporting framework and the more significant accounting principles and practices are disclosed below.

Reporting Entity

The Port of Umpqua, organized under the general laws of the State of Oregon, was formed to create economic development and quality jobs by maintaining and adding waterborne and land transportation infrastructure. The Board of Commissioners, composed of five members, oversee management in its operations.

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

Basis of Accounting

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

Fund Descriptions

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

General Fund

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

Dock Reserve Fund

The fund is used to account for expenditures for major construction and improvement. Principal sources of revenue are mortgage fees.

Maintenance Reserve Fund

The fund is used to account for the accumulation of funds for the maintenance, repairs and capital improvements.

Capital Reserve Fund

The fund is used for capital improvements and acquisitions.

**PORT OF UMPQUA
Douglas County, Oregon**

**NOTES TO FINANCIAL STATEMENTS
as of June 30, 2011**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fund Descriptions

Operation Reserve Fund

The fund is used for operation and maintenance as authorized by the General Fund Budget. It is reported as a part of the enterprise fund on a generally accepted accounting principles basis.

Proprietary funds distinguish operating revenues and expense from nonoperating items. Operating revenues and expense result from providing, producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Enterprise funds charge to customers for sales and services. Operating expense for enterprise funds include the cost of sales and services, administrative expense, and depreciation on capital assets. All revenues and expense not meeting this definition are reported as nonoperating revenues and expenses.

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

Deposits and Investments

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

The Port's investment policies are governed by Oregon statutes. The statutes authorize the Port to invest primarily in general obligations of the U.S. Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers' acceptances, high-grade commercial paper and the State Treasurer's Local Government Investment Pool (LGIP). See Note 3.

Capital Assets

All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received. Interest costs are capitalized as part of the costs of capital assets during the period of construction based on borrowing costs incurred. 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. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. The Port does not have a written capitalization policy; however, it recognizes assets with an initial cost or donated value of \$5,000 and life over more than one year.

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

**PORT OF UMPQUA
Douglas County, Oregon**

**NOTES TO FINANCIAL STATEMENTS
as of June 30, 2011**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Capital Assets

Assets subject to depreciation are depreciated over their estimated useful lives on the straight-line basis. The useful lives are 15 to 20 years on the docks, ramps and buildings, 10 years for intangibles and 5 years for equipment.

Compensated Absences

The Port's policy is to recognize accumulate earned but unused vacation and sick pay benefits up to 30 days per year, beginning after 90 days of employment. Vacation and sick pay are computed using the employee pay rates in effect at the time they are earned.

Interfund Transactions

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

All other interfund transactions are reported as transfers and as a general rule are eliminated from the enterprise financial statements. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

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

Prepaid Items

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

Net Assets

Net assets comprise the various net earnings from operating and non-operating revenues, expenses and contributions of capital. Net assets are classified in the following three components: Investment in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

Investment in capital assets, net of related debt, consists of all capital assets, net of accumulated depreciation and reduced by outstanding debt (revenue bonds and other debt obligations) that is attributable to the acquisition, construction and improvement of those assets; debt related to unspent proceeds or other restricted cash and investments is excluded from the determination. Restricted net assets consists of net assets for which constraints are placed thereon by external parties, such as lenders, grantors, contributors, laws, regulations and enabling legislation, including self-imposing legal mandates. Unrestricted consists of all other net assets not included in the above categories.

**PORT OF UMPQUA
Douglas County, Oregon**

**NOTES TO FINANCIAL STATEMENTS
as of June 30, 2011**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Restricted Assets

Assets that may be refunded or are committed to be used for the payment of bonded debt are classed as restricted assets on the balance sheet. Restricted resources are expended first to fund appropriations for which those restrictions are to be utilized.

Operating Revenues, Non-Operating Revenues and Operating Expenses

The Port has defined operating revenues to include lease fees, hoist and moorage fees. Operating expenses are defined as those expenses directly related to providing the services reflected within operating revenues including depreciation and amortization. Non-operating revenues are revenues of the Port not directly attributable to the services provided. This includes property taxes, investment interest, and Coos Bay Wagon Road fees.

Use of Estimates

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

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budget Law and Practice

The Port legally adopts an annual budget for each proprietary fund prior to July 1 through passage of a resolution in accordance with the legal requirements set forth in the Oregon Local Budget Law. The resolution authorizes fund appropriations at the following control levels: personal services, materials and services, capital outlay, debt service, interfund transactions, operating contingency, and all other requirement levels. Expenditures cannot legally exceed appropriations at these control levels.

Budgets are prepared using the cash basis of accounting. A reconciliation schedule brings the budget cash basis to full accrual for compliance with generally accepted accounting principles.

Unexpected additional resources may be added to the budget through the use of a supplemental budget. The supplemental budget process requires hearings before the public, publications in newspapers, and approval by the Board of Commissioners. Only the Board may modify original and supplemental budgets by the use of appropriation transfers between the levels of control. In addition, Oregon Local Budget Law provides certain specific exceptions to the supplemental budget process to increase appropriations. Such transfers and increases require Board's approval by adoption of a resolution. Budget appropriation amounts shown in the financial statements include the original and revised budget appropriations as approved by the Board of Commissioners. Appropriations are limited to a single fiscal year; therefore, all spending authority of the Port lapse at year end.

**PORT OF UMPQUA
Douglas County, Oregon**

**NOTES TO FINANCIAL STATEMENTS
as of June 30, 2011**

NOTE 3 - DEPOSITS AND INVESTMENTS

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

	<u>Balance</u>
Cash on hand	\$ 75
Deposits with financial institutions	1,106,130
County	<u>1,261</u>
Total cash & investments	<u>\$1,107,466</u>

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. For deposits in excess of federal depository insurance, the Oregon Legislature Assembly passed House Bill 2901 effective July 1, 2008 eliminating the requirement of certificates of participation and created a shared liability structure of qualified depositories. At the end of the fiscal year, the Port's total deposits with financial institutions have a bank value of \$1,113,348 with \$250,000 covered by FDIC and the remaining balance was in a qualified depository bank in compliance with ORS. The Port does not have a formally adopted deposit policy for custodial credit risk.

Interest rate risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Port does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk

Oregon Statutes limit investments to general obligations of U.S. government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, high-grade commercial paper and the State Treasurer's Local Government Investment Pool. The Port has no investment policy that would further limit its investment choices.

Concentration of Credit Risk

The Port places no limit on the amount the Port may invest in any one investment or issuer. For the current year, the Port held 86% of funds in a money market at the local bank.

NOTE 4 - RECEIVABLES

Receivables at year end consist of the following:

	<u>Balance</u>
Property Taxes	\$ 22,581
Accounts Receivable	4,802
Total Receivables	<u>\$ 27,383</u>

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

**PORT OF UMPQUA
Douglas County, Oregon**

**NOTES TO FINANCIAL STATEMENTS
as of June 30, 2011**

NOTE 4 - RECEIVABLES - Continued

Property Taxes

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

NOTE 5 - CAPITAL ASSETS

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

	<u>7/01 Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>6/30 Balance</u>
Capital assets not being depreciated				
Land	\$ 121,868	\$ 44,814	\$ 0	\$ 166,682
Capital assets being depreciated				
Buildings & improvements	2,671,512	131,690	0	2,803,202
Equipment	<u>24,528</u>	<u>7,727</u>	<u>0</u>	<u>32,255</u>
Total depreciable at historical cost	<u>2,696,040</u>	<u>139,417</u>	<u>0</u>	<u>2,835,457</u>
Accumulated depreciation				
Buildings & improvements	1,517,203	68,161	0	1,585,364
Furniture & equipment	<u>16,195</u>	<u>1,593</u>	<u>0</u>	<u>17,788</u>
Total accumulated depreciation	<u>1,533,398</u>	<u>69,754</u>	<u>0</u>	<u>1,603,152</u>
Total depreciable, net	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Capital assets, net	<u>\$ 1,284,510</u>	<u>\$ 114,477</u>	<u>\$ 0</u>	<u>\$ 1,398,987</u>

Current year depreciation is \$69,754.

NOTE 6 - INTERFUND TRANSFERS

	<u>Totals</u>	<u>Transfer In</u>		
		<u>Dock Reserve Fund</u>	<u>Capital Reserve Fund</u>	<u>General Fund</u>
Transfer Out				
General Fund	\$ (63,668)	\$ 4,500	\$ 59,168	\$ 0
Capital Reserve Fund	<u>(62,400)</u>	<u>0</u>	<u>0</u>	<u>62,400</u>
Total	<u>\$ (126,068)</u>	<u>\$ 4,500</u>	<u>\$ 59,168</u>	<u>\$ 62,400</u>

The purpose of inter-fund transfers are primarily to support current and future capital expenditures.

**PORT OF UMPQUA
Douglas County, Oregon**

**NOTES TO FINANCIAL STATEMENTS
as of June 30, 2011**

NOTE 7 - LEASE

The Port leases land and a waterway under a long-term operating leases. The cost of such leases was \$1,226 for the current year.

The Port has a copy machine lease, for \$123 per month. Total cost for the year was \$1,476. Subsequent to year end, the Port paid off the balance of the lease for \$643.03.

NOTE 8 - LONG TERM DEBT

Loans Payable

Douglas County Loan

On October 3, 1980 the Port entered into an intergovernmental no interest loan agreement with Douglas County to develop an industrial facility on the County's property. In the addendum on July 13, 1988, the Port agreed to pay the County 17% of net proceeds received monthly from all rentals or sale income generated from the industrial facilities, premises or property. All payments are to be applied to the principal without interest. Title to the facility shall transfer to the Port once the obligation has been retired.

Since the date of the addendum, the Port has realized annual negative net proceeds, therefore no payments have been required; however voluntary payments are made. The balance at June 30, 2011 is \$50,400.

Shipyard Dock Loan

On September 14, 1995 the Port was issued a loan through the Oregon Economic and Community Development Department for \$202,000 for dock improvements. This loan was increased to \$293,200 in 1996 with an interest rate of 6%. The obligation matures in June 2016, with the current balance outstanding at year end of \$117,880.

Winchester Bay Replacement Loan

On April 23, 2002 the Port received from the Oregon Economic and Community Development Department a loan for \$104,178 for improvements in Winchester Bay. The interest rate is 5.58% with the loan maturing in June of 2027. The current balance outstanding is \$81,433.

**PORT OF UMPQUA
Douglas County, Oregon**

**NOTES TO FINANCIAL STATEMENTS
as of June 30, 2011**

NOTE 8 - LONG TERM DEBT - Continued

Loans Payable

Real Estate Loan

On October 30, 2002 the Port purchased real estate located at 364 N. Fourth Street and established its Port office. The original loan with Umpqua Bank was \$93,750, with the variable interest rate currently at 5%, maturing in 2018. The current balance outstanding is \$48,554.

Changes in long-term obligations for the year is as follows:

	<u>7/1 Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>6/30 Balance</u>	<u>Due in One Year</u>
Douglas County	\$ 52,800	\$ 0	\$ 2,400	\$ 50,400	\$ 0
1995 OECDD	138,661	0	20,781	117,880	20,910
2002 OECDD	84,698	0	3,265	81,433	3,282
Umpqua Loan	<u>54,983</u>	<u>0</u>	<u>6,429</u>	<u>48,554</u>	<u>6,588</u>
Totals	<u>\$ 331,142</u>	<u>\$ 0</u>	<u>\$ 32,875</u>	<u>\$ 298,267</u>	<u>\$ 30,780</u>

Loans Payable

The annual requirements to amortize all debt is as follows:

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Future Requirements</u>
6-30-12	\$ 30,780	\$ 14,616	\$ 45,396
6-30-13	32,631	12,765	45,396
6-30-14	34,642	10,754	45,396
6-30-15	36,747	8,649	45,396
6-30-16	39,008	6,418	45,426
2017-21	35,009	15,649	50,658
2022-26	31,564	7,571	39,135
6-30-27	7,486	419	7,905
Other	<u>50,400</u>	<u>0</u>	<u>50,400</u>
Totals	<u>\$ 298,267</u>	<u>\$ 76,841</u>	<u>\$ 375,108</u>

**PORT OF UMPQUA
Douglas County, Oregon**

**NOTES TO FINANCIAL STATEMENTS
as of June 30, 2011**

NOTE 9 - DEFERRED COMPENSATION PLAN

The Port offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Port employees, permits a portion of salary to be deferred into future years when there is retirement, termination, death; or an unforeseeable emergency. It is administered by independent plan administrators through administrative service agreements. The Port's administrative involvement is limited to transmitting amounts withheld from payroll and contributions by the Port to the plan administrator who performs investing function.

The Port does not have any liability for losses under the plan, but does have the duty to administer the plan in a prudent manner. In accordance with GASB No. 32, Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans, the plan's assets are not included in the accompanying balance sheet.

NOTE 10 - OTHER INFORMATION

Risk Management

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

Evaluation of Subsequent Events

The District has evaluated subsequent events through November 5, 2011, the date which the financial statements were available to be issued.

**PORT OF UMPQUA
Douglas County, Oregon**

SUPPLEMENTAL INFORMATION

**PORT OF UMPQUA
Douglas County, Oregon**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2011**

GENERAL FUND

	Original Budget	Final Budget	Actual	Variance
REVENUES				
Property taxes - current	\$ 177,988	\$ 177,988	\$ 170,648	\$ (7,340)
Property taxes - prior	5,000	5,000	8,237	3,237
Interest	800	800	845	45
Coos Bay Wagon Road fees	96,188	96,188	96,188	0
Grants & loans	112,500	112,500	30,986	(81,514)
Leases	12,520	12,520	12,017	(503)
Bond fees	12,375	12,375	12,375	0
Poundage	8,000	8,000	11,098	3,098
Keycard/hoist receipts	4,500	4,500	6,387	1,887
Dock fees	5,500	5,500	6,097	597
Building rental	600	600	2,000	1,400
Miscellaneous	100	100	1,000	900
Total revenues	436,071	436,071	357,878	(78,193)
EXPENDITURES				
Personal services	96,800	98,800	90,211	8,589
Materials & services	122,800	122,800	106,430	16,370
Capital outlay	210,188	210,188	107,461	102,727
Debt service	45,413	45,413	44,886	527
Contingency	232,379	230,379	0	230,379
Total expenditures	707,580	707,580	348,988	358,592
Excess (def) of revenues over expenditures	(271,509)	(271,509)	8,890	280,399
OTHER FINANCING SOURCES (USES)				
Transfers in	2,500	2,500	0	(2,500)
Transfers out	(63,668)	(63,668)	(63,668)	0
Proceeds from sale of asset	59,168	59,168	59,168	0
Total other financing sources (uses)	(2,000)	(2,000)	(4,500)	(2,500)
Net change in fund balance	(273,509)	(273,509)	4,390	277,899
FUND BALANCE - Beg of year (Budget)	273,509	273,509	269,848	(3,661)
FUND BALANCE - End of year (Budget)	\$ 0	\$ 0	274,238	\$ 274,238
GAAP ADJUSTMENTS				
Receivables			27,383	
Prepaid expenses			5,331	
Capital assets, net			1,398,987	
Accounts payable & accrued expenses			(14,622)	
Long-term debt			(298,267)	
FUND BALANCE - End of year (GAAP)			\$ 1,393,050	

**PORT OF UMPQUA
Douglas County, Oregon**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2011**

DOCK RESERVE FUND

	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Interest	\$ 2,700	\$ 786	\$ (1,914)
EXPENDITURES			
Capital outlay	<u>140,787</u>	<u>0</u>	<u>140,787</u>
Excess (def) of revenues over expenditures	(138,087)	786	138,873
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>4,500</u>	<u>4,500</u>	<u>0</u>
Net change in fund balance	(133,587)	5,286	138,873
FUND BALANCE - Beginning of year (Budget)	<u>133,587</u>	<u>144,569</u>	<u>10,982</u>
FUND BALANCE - End of year (Budget)	<u>\$ 0</u>	<u>\$ 149,855</u>	<u>\$ 149,855</u>

**PORT OF UMPQUA
Douglas County, Oregon**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2011**

MAINTENANCE RESERVE FUND

	Original & Final Budget	Actual	Variance
REVENUES			
Interest	\$ 200	\$ 55	\$ (145)
EXPENDITURES			
Capital outlay	10,485	0	10,485
Excess (def) of revenues over expenditures	(10,285)	55	10,340
OTHER FINANCING SOURCES (USES)			
Transfers out	0	0	0
Net change in fund balance	(10,285)	55	10,340
FUND BALANCE - Beginning of year (Budget)	10,285	10,355	70
FUND BALANCE - End of year (Budget)	\$ 0	\$ 10,410	\$ 10,410

**PORT OF UMPQUA
Douglas County, Oregon**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2011**

CAPITAL RESERVE FUND

	Original & Final Budget	Actual	Variance
REVENUES			
Interest	\$ 10,000	\$ 2,908	\$ (7,092)
Loan payoff	<u>0</u>	<u>195,862</u>	<u>195,862</u>
Total revenues	<u>10,000</u>	<u>198,770</u>	<u>188,770</u>
EXPENDITURES			
Capital outlay	<u>587,374</u>	<u>176,504</u>	<u>410,870</u>
Excess (def) of revenues over expenditures	<u>(577,374)</u>	<u>22,266</u>	<u>599,640</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>59,168</u>	<u>59,168</u>	<u>0</u>
Net change in fund balance	(518,206)	81,434	599,640
FUND BALANCE - Beginning of year (Budget)	<u>518,206</u>	<u>508,600</u>	<u>(9,606)</u>
FUND BALANCE - End of year (Budget)	<u><u>\$ 0</u></u>	<u><u>\$ 590,034</u></u>	<u><u>\$ 590,034</u></u>

**PORT OF UMPQUA
Douglas County, Oregon**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL for the Year Ended June 30, 2011**

OPERATION RESERVE FUND

	Original & Final Budget	Actual	Variance
REVENUES			
Interest	\$ 1,500	\$ 435	\$ (1,065)
EXPENDITURES			
Materials & services	83,437	0	83,437
Excess (def) of revenues over expenditures	(81,937)	435	82,372
FUND BALANCE - Beginning of year (Budget)	81,937	82,497	560
FUND BALANCE - End of year (Budget)	\$ 0	\$ 82,932	\$ 82,932

**PORT OF UMPQUA
Douglas County, Oregon**

**RECONCILIATION OF REVENUES AND EXPENDITURES (BUDGETARY
BASIS) TO THE STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS for the Year Ended June 30, 2011**

	Total Revenues	Total Expenditures	Net
Budgetary Basis			
General Fund	\$ 417,046	\$ 412,656	\$ 4,390
Dock Reserve Fund	5,286	0	5,286
Maintenance Reserve Fund	55	0	55
Capital Reserve Fund	257,938	176,504	81,434
Operations Reserve Fund	435	0	435
 Total budgetary basis	 \$ 680,760	 \$ 589,160	 91,600
 Add (Deduct) Items to Reconcile to Net Income on a Financial Reporting Basis			
Increase (decrease) in operating assets:			
Receivables			5,918
Prepaid expenses			(304)
Interest receivable			(254)
(Increase) decrease in operating liabilities:			
Accounts payable			(3,571)
Accrued interest			891
Note receivable principal received			(238,985)
Capital assets			184,231
Principal payments - long-term debt			32,875
Depreciation			(69,754)
 Change in net assets			 2,647
 NET ASSETS - Beginning of year			 2,223,632
 NET ASSETS - End of year			 \$ 2,226,277

**PORT OF UMPQUA
Douglas County, Oregon**

**SCHEDULE OF FUTURE DEBT SERVICE REQUIREMENTS
as of June 30, 2011**

DOUGLAS COUNTY LOAN

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal Year Ending			
Future date to be determined	\$ 50,400	\$ 0	\$ 50,400
Totals	<u>\$ 50,400</u>	<u>\$ 0</u>	<u>\$ 50,400</u>

**SHIPYARD DOCK LOAN
1995 OECDD**

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal Year Ending			
2012	\$ 20,910	\$ 7,074	\$ 27,984
2013	22,148	5,836	27,984
2014	23,493	4,491	27,984
2015	24,903	3,081	27,984
2016	<u>26,426</u>	<u>1,588</u>	<u>28,014</u>
Totals	<u>\$ 117,880</u>	<u>\$ 22,070</u>	<u>\$ 139,950</u>

**PORT OF UMPQUA
Douglas County, Oregon**

**SCHEDULE OF FUTURE DEBT SERVICE REQUIREMENTS
as of June 30, 2011**

**WINCHESTER BAY DOCK REPLACEMENT LOAN
2002 OECD**

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal Year Ending			
2012	\$ 3,282	\$ 4,545	\$ 7,827
2013	3,454	4,373	7,827
2014	3,658	4,169	7,827
2015	3,862	3,965	7,827
2016	4,078	3,749	7,827
2017	4,296	3,531	7,827
2018	4,545	3,282	7,827
2019	4,799	3,028	7,827
2020	5,067	2,760	7,827
2021	5,342	2,485	7,827
2022	5,647	2,180	7,827
2023	5,962	1,865	7,827
2024	6,295	1,532	7,827
2025	6,643	1,184	7,827
2026	7,017	810	7,827
2027	<u>7,486</u>	<u>419</u>	<u>7,905</u>
Totals	<u>\$ 81,433</u>	<u>\$ 43,877</u>	<u>\$ 125,310</u>

UMPQUA BANK LOAN

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal Year Ending			
2012	\$ 6,588	\$ 2,997	\$ 9,585
2013	7,029	2,556	9,585
2014	7,491	2,094	9,585
2015	7,982	1,603	9,585
2016	8,504	1,081	9,585
2017	9,065	520	9,585
2018	<u>1,895</u>	<u>43</u>	<u>1,938</u>
Totals	<u>\$ 48,554</u>	<u>\$ 10,894</u>	<u>\$ 59,448</u>

**PORT OF UMPQUA
Douglas County, Oregon**

**SCHEDULE OF PROPERTY TRANSACTIONS
for the Year Ended June 30, 2011**

Levy Year	Balance 7/1	Current Levy	Interest & Tax Roll Adjustments	Interest & Tax Collection	Balance 6/30
2010-11	\$ 0	\$ 187,305	\$ (7,034)	\$ 168,913	\$ 11,358
2009-10	10,952	0	(419)	4,388	6,145
2008-09	5,163	0	(120)	1,610	3,433
2007-08	2,480	0	(44)	1,326	1,110
2006-07	861	0	(18)	645	198
2005-06	138	0	(8)	29	101
2004-05	78	0	(5)	20	53
Prior Years	204	0	0	21	183
Totals	<u>\$ 19,876</u>	<u>\$ 187,305</u>	<u>\$ (7,648)</u>	<u>\$ 176,952</u>	<u>\$ 22,581</u>

**PORT OF UMPQUA
Douglas County, Oregon**

COMPLIANCE SECTION

GRIMSTAD & ASSOCIATES

Certified Public Accountants

Newport Office:
P.O. Box 1930
530 N.W. 3rd St. Ste E
Newport, OR 97365
(541) 265-5411
Fax (541) 265-9255
info@grimstad-assoc.com

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

November 5, 2011

INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

Board of Commissioners
Port of Umpqua
Reedsport, Oregon

I have audited the basic financial statements of the Port of Umpqua as of and for the year ended June 30, 2011, and have issued my report thereon dated November 5, 2011. I conducted my audit in accordance with auditing standards generally accepted in the United States of America.

Compliance

As part of obtaining reasonable assurance about whether the Port of Umpqua financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion.

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

- Deposit of public funds with financial institutions (ORS Chapter 295).
- Indebtedness limitations, restrictions and repayment.
- Budgets legally required (ORS Chapter 294).
- Insurance and fidelity bonds in force or required by law.
- Authorized investment of surplus funds (ORS Chapter 294).
- Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).
- Programs funded from outside sources.

In connection with my testing nothing came to my attention that caused me to believe the Port of Umpqua was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations.

OTHER COMMENTS

Accountability for Independently Elected Officials

No funds were received or disbursed by an independently elected official in the current year.

Members:
AICPA, OSCP & OAIA

OTHER COMMENTS - Continued

Insurance and Fidelity Bonds

I have examined the Port's insurance and fidelity bond coverage at June 30, 2011. I ascertained that such policies appeared to be in force and comply with legal requirements relating to insurance and fidelity bond coverage mandated by the Board and State statutes. I am not competent by training to comment on the adequacy of the insurance policies covering Port-owned property.

OAR 162-10-0230 Internal Control

In planning and performing my audit, I considered Port of Umpqua's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Port of Umpqua's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Port of Umpqua's internal control over financial reporting.

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.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above. However, I identified a deficiency in internal control over financial reporting, described below that I consider to be a significant deficiency in internal control over financial reporting. 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.

Lack of Segregation of Duties

Because of the size of the office staff, it is not possible or practical to have a segregation of duties consistent with appropriate control objectives. It is important that Board members review bank reconciliations, trace disbursements to invoices, and document those monitoring procedures in the minutes.

This report is intended for the information and use of the Board of Commissioners and management for Port of Umpqua, and the Secretary of State, Division of Audits, of the State of Oregon and is not intended to be and should not be used by anyone other than these parties.



SIGNE GRIMSTAD
Certified Public Accountant

