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UNDERSTANDING PORT FINANCES

Agenda

- ① What to pay attention to & what not to worry about
- ② Reading a financial report
- ③ Debt as a tool
- ④ Quick Sheet

Pay Attention To

How does your Port determine Financial Success?



Do your Port's Financial Policies move it toward Financial Success?



Does the Commission regularly review the Port's performance?

Pay Attention To:

Financial Stability

Liquidity

Profitability

Sustainability

Pay Attention To: Liquidity

- Current ratio
- Minimum cash reserves
- Debt service coverage



Pay Attention To: Profitability

- ⦿ Operating income
- ⦿ Return on revenue
- ⦿ Operating cash flow
- ⦿ Earnings (loss) before tax levy

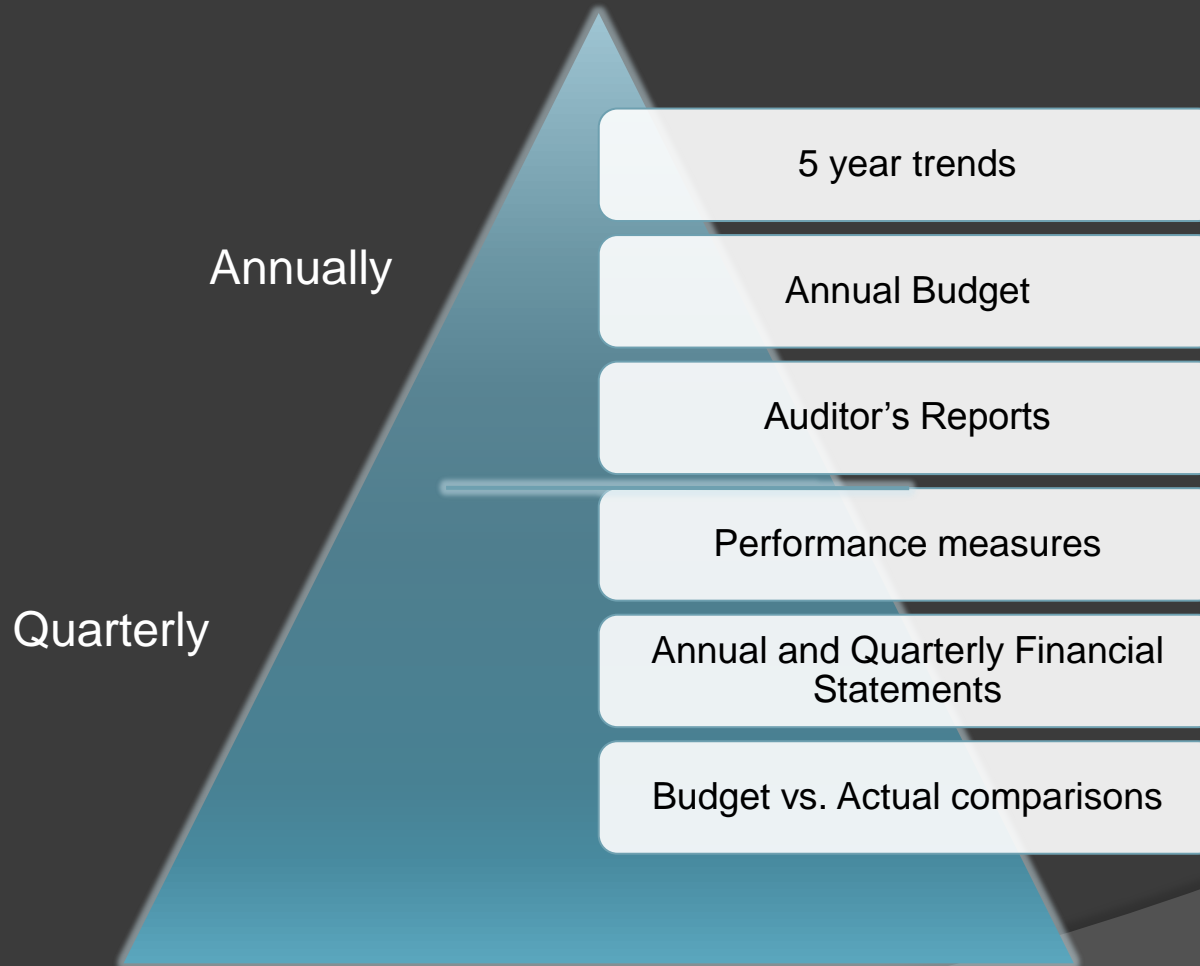


Pay Attention To: Sustainability

- Return on productive assets
- Maintenance, insurance & environmental
- Financial capacity



Pay Attention To



Pay Attention To: Annual Budget

- ⦿ Does the budget align with the Port's goals? *Short & Long Term*
- ⦿ Does it fund the important priorities for the upcoming year?
- ⦿ Are the revenues and capital investments aligned?
- ⦿ Does it consider the effect of capital investments on future years budgets?
- ⦿ Does it comply with law and policy?

Pay Attention To: Auditor's Opinion

⦿ Auditors

- SAO
- CPA firms

⦿ Types of Opinions

- Unqualified
- Qualified
- Disclaimer
- Adverse

⦿ Types of Audits

- Financial
- Compliance
- Grant
- Single
- Dept. of Revenue
 - Sales & Excise tax
 - Leasehold tax
- Payroll tax

Pay Attention To: Performance

“You’ll get what you measure”

- ✓ Each Port should measure what’s important.
- ✓ Find measures that drive several results.
- ✓ Measures: Simple, realistic, agreed upon.
- ✓ Review quarterly.

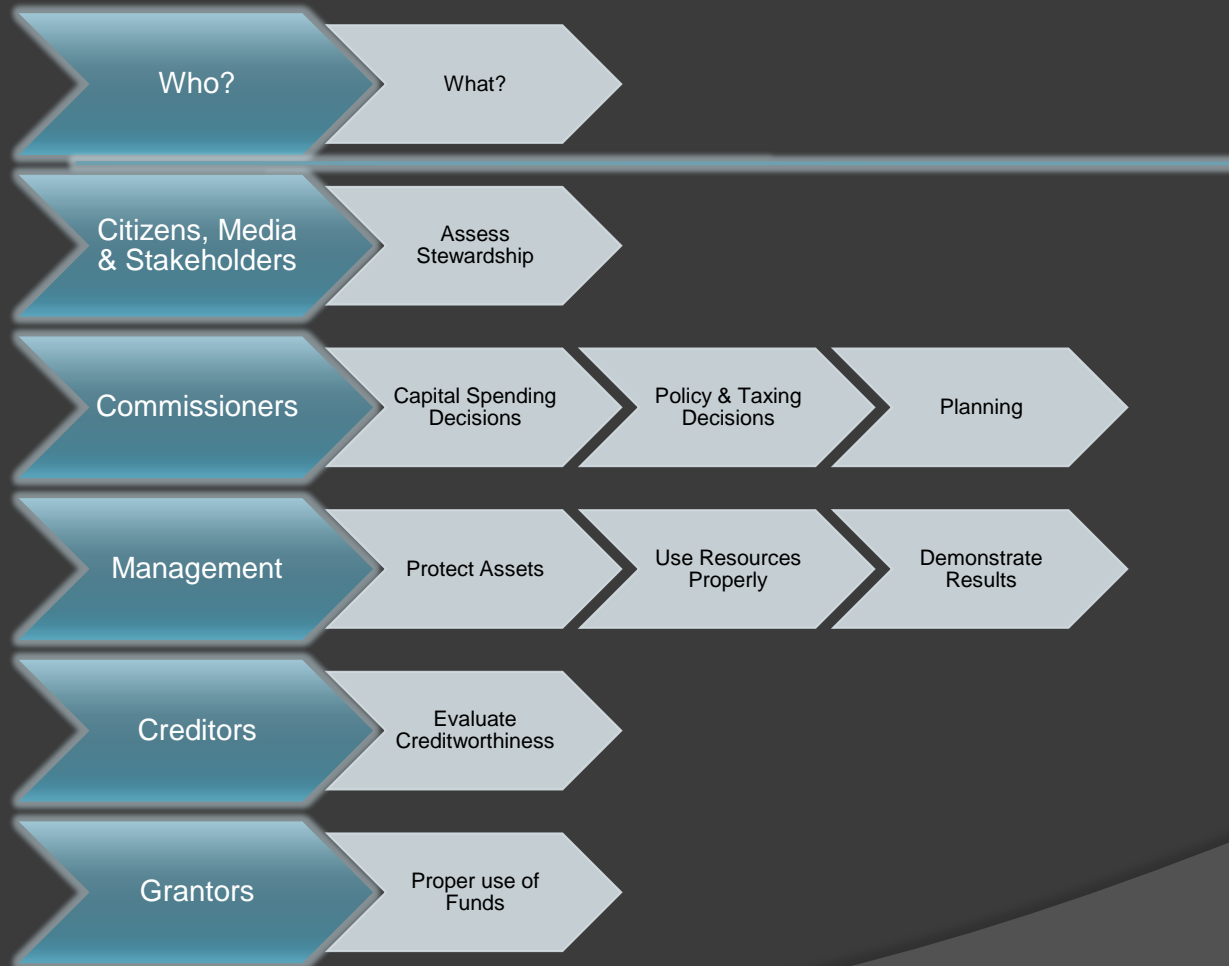
What not to worry about:

- Monthly variations, especially Jan. & Dec.
- Funds, appropriations
- Something the Port does not control



Q & A

Reading a Financial Report: Users & Uses



Reading a Financial Report:

Statements	Purposes
Management Discussion and Analysis	Tells the financial story. Summarizes the financial transactions and results.
Statement of Net Assets	Shows the account balances at year end. (Assets = Liabilities and Net Assets)
Statement of Revenue, Expenses and Changes in Net Assets	Records the transactions and events that occurred during the period; matches revenue and expense
Statement of Cash Flows	Shows the cash earned from operations & other activities. Shows beginning and ending cash
Notes to the Financial Statements	Describes activity and risks in the statements.

Notes to the Financial Report

Notes	Purposes
Investment	Describe the liquidity and risk in the Port's investments.
Capital Assets	Describe acquisitions and sales of assets.
Long Term Debt	Shows the types of debt issued and retired.
Port Operations by Industry	Describes activity for each of the Port's major business segments.

Reading a Financial Report:

Other Reports	Purposes
Budget to Actual	By comparing budget to actual, understand what driving change from original plan
Management Reports	To give managers information needed to make decisions and report on performance measures
Accounts Receivable Report	By showing each customer's amount owing, indicates cash flow offset to revenues

Reading a Financial Report

- ⦿ Review with staff quarterly:
 - Agreed upon financial measures
 - Budget to Actual variances
- Better or Worse, what's driving the change?

Q & A

Debt as a Tool

- ⦿ Context: Ways to pay for assets:
 - Cash from operations, tax levy
 - Grants, donations, legislation
 - Issue Debt
- ⦿ Debt Policy
 - Transparency, Process, How, Why

Debt as a Tool

- ⦿ Debt Funding:
 - New revenue generating assets
 - Replacing revenue generating assets
 - Infrastructure
- ⦿ Asset use effects interest rates
 - General government is Non-Taxable
 - Some Leasing subject to Alternative Minimum Tax
 - Other Leasing may be Taxable

Debt as a Tool

◎ Types of Debt

- General Obligation Bonds
 - Lien on tax levy revenues
 - Non-voted subject to a dollar amount limit based on the port's assessed valuation and debt outstanding
- Revenue Bonds
 - Lien on port revenues, may be general or specific to the bond funded facilities
 - Limited by the revenue earned and the bond covenants

Debt as a Tool

- ◎ Recommended steps to issuing debt
 - Annual Budget
 - Determine which projects should be funded
 - Engage financial advisor, bond counsel
 - Determine best type of debt to issue, terms
 - Issue Official Statement
 - Issue Bonds
 - Fund the projects

Debt as a Tool

- ◎ After Issuance
 - Monitoring Debt
 - Arbitrage Rebate
 - Annual Reporting to EMMA

Q & A

Summary

- ⦿ What to pay attention to & what not to worry about
- ⦿ Reading a financial report
- ⦿ Debt as a tool