



**Office of the Washington State Auditor**  
**Pat McCarthy**

## **Financial Statements and Federal Single Audit Report**

# **Port of Camas-Washougal**

**Clark County**

**For the period January 1, 2017 through December 31, 2017**

**Published August 16, 2018**

**Report No. 1021959**





**Office of the Washington State Auditor  
Pat McCarthy**

August 16, 2018

Board of Commissioners  
Port of Camas-Washougal  
Washougal, Washington

**Report on Financial Statements and Federal Single Audit**

Please find attached our report on the Port of Camas-Washougal's financial statements and compliance with federal laws and regulations.

We are issuing this report in order to provide information on the Port's financial condition.

Sincerely,

Pat McCarthy  
State Auditor  
Olympia, WA

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## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**Port of Camas-Washougal  
Clark County  
January 1, 2017 through December 31, 2017**

### SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of the Port of Camas-Washougal are summarized below in accordance with Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

#### Financial Statements

We issued an unmodified opinion on the fair presentation of the Port’s financial statements in accordance with its regulatory basis of accounting. Separately, we issued an adverse opinion on the fair presentation of all funds with regard to accounting principles generally accepted in the United States of America (GAAP) because the financial statements are prepared using a basis of accounting other than GAAP.

##### Internal Control over Financial Reporting:

- *Significant Deficiencies:* We reported no deficiencies in the design or operation of internal control over financial reporting that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified no deficiencies that we consider to be material weaknesses.

We noted no instances of noncompliance that were material to the financial statements of the Port.

#### Federal Awards

##### Internal Control over Major Programs:

- *Significant Deficiencies:* We reported no deficiencies in the design or operation of internal control over major federal programs that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified deficiencies that we consider to be material weaknesses.

We issued an unmodified opinion on the Port's compliance with requirements applicable to its major federal program.

We reported findings that are required to be disclosed in accordance with 2 CFR 200.516(a).

### **Identification of Major Federal Programs:**

The following program was selected as a major program in our audit of compliance in accordance with the Uniform Guidance.

<u>CFDA No.</u>	<u>Program or Cluster Title</u>
11.300	Economic Development Cluster – Investments for Public Works and Economic Development Facilities

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by the Uniform Guidance, was \$750,000.

The Port did not qualify as a low-risk auditee under the Uniform Guidance.

## **SECTION II – FINANCIAL STATEMENT FINDINGS**

None reported.

## **SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

See finding 2017-001.

## SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

### Port of Camas-Washougal

#### Clark County

January 1, 2017 through December 31, 2017

**2017-001    The Port did not have adequate internal controls to ensure compliance with federal procurement and suspension and debarment requirements.**

<b>CFDA Number and Title:</b>	11.300 – Investments for Public Works and Economic Development Facilities
<b>Federal Grantor Name:</b>	Department of Commerce
<b>Federal Award/Contract Number:</b>	070107296
<b>Pass-through Entity Name:</b>	NA
<b>Pass-through Award/Contract Number:</b>	NA
<b>Questioned Cost Amount:</b>	\$0

#### *Description of Condition*

The U.S. Department of Commerce, through its Economic Development Administration, awards grants through its Public Works and Economic Development Facilities program to revitalize the nation's most distressed communities. The program's primary goal is to support the efforts of distressed communities to develop their local economies by revitalizing and expanding physical and economic infrastructure, and creating or retaining long-term, private-sector jobs for area residents.

In fiscal year 2017, the Port spent \$1,201,918 in federal program funds for the Steigerwald Commerce Center Building Number 18 construction project. Of this amount, \$134,332 was used to pay two contractors for architectural and engineering services.

#### Procurement

State law requires qualifications-based selection for procurement of architectural and engineering services. Under federal law, architectural and engineering services may be procured following a competitive proposal method. Under this method, proposals must be advertised and the advertisement must identify all evaluation

factors and their relative importance. The contract must be awarded to the most qualified firm.

The Port's controls were not adequate to ensure its solicitation and award of these contracts complied with the federal procurement requirements. Instead of soliciting contractor proposals via public advertisement as required, the Port selected contractors for further evaluation from a roster of pre-qualified firms it had on hand. Selecting firms from a roster of pre-qualified firms does not meet the federal requirements to advertise.

#### Suspension and Debarment

Federal grant regulations prohibit recipients from doing business with or making sub-awards to parties that have been suspended or debarred. The Port is also required to tell contractors they are responsible for checking the suspension and debarment status of their subcontractors.

The Port lacked controls to ensure architectural and engineering contractors were informed they had a responsibility to verify subcontractors are not suspended or debarred.

We consider these deficiencies in internal controls to be material weaknesses.

These issues were not reported as findings in the prior audit.

#### *Cause of Condition*

Although the Port completed a competitive proposal procurement checklist provided by the grantor agency in awarding each contract, the Port did not fully understand the competitive procurement and federal advertisement requirements associated with the items in the checklist.

The Port does not have policies and procedures to ensure all its contracts with contractors include a clause informing contractors of their responsibility to check the suspension and debarment status of their subcontractors. Further, oversight was not sufficient to ensure all its contracts included the appropriate clauses.

#### *Effect of Condition and Questioned Costs*

We identified two of three contractors were not procured in compliance with federal requirements. Additionally, because the Port did not inform one of its architectural and engineering contractors about its responsibility to verify the status of its

subcontractors as either suspended or debarred, three of 25 subcontractors were not verified for suspension and debarment.

The Port cannot demonstrate it gave all interested and qualified firms the opportunity to be considered in the award of its two architectural and engineering contracts, and it did not advertise how the firms would be evaluated.

Without adequate internal controls over suspension and debarment, the Port cannot ensure federal funds were paid to subcontractors eligible to participate in federal programs. Payments made to an ineligible party are unallowable and could be subject to recovery by the grantor. However, because we were able to determine the subcontractors were not suspended or debarred, we are not questioning these costs.

### ***Recommendation***

We recommend the Port ensure staff responsible for managing grants are knowledgeable about federal procurement and suspension and debarment requirements. We further recommend the Port improve controls to ensure that all contractors that will be paid with federal funds are selected through allowed methods. Additionally, we recommend the Port improve controls to ensure that all contractors are informed of the requirement to check suspension and debarment status of subcontractors.

### ***Port's Response***

*Port of Camas-Washougal staff, responsible for federal grant management, take their role for being knowledgeable on federal grant requirements seriously. Staff members attended a federal grant requirements workshop presented by Washington State Auditor's Office and Washington Finance Officers Association to be current on federal regulations; as well as a training by our Economic Development Administration's Civil Engineer Project Officer. Staff was diligent in doing its best to follow federal requirements.*

*The federal agency responsible for this grant reviewed the port's procurement policy, A&E contractor checklist and contracts and approved them. Although there were two areas in the architect and engineering solicitation and debarment process that were not processed correctly, the Port of Camas-Washougal has completed corrective action through policy changes so that this won't happen in the future. Furthermore, and most importantly, the Port of Camas-Washougal did correctly*



*process the many other areas of federal grant requirements and spent federal funds appropriately and all costs were allowable for reimbursement.*

### ***Auditor's Remarks***

We appreciate the Port's commitment to resolve this finding. We will review the corrective action taken during the next regular audit. We thank the Port for its cooperation and assistance during the audit.

### ***Applicable Laws and Regulations***

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its *Codification of Statements on Auditing Standards*, section 935, Compliance Audits, paragraph 11.

Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), section 516 Audit findings, establishes reporting requirements for audit findings.

Title 2 CFR Part 200, Uniform Guidance, section 303 Internal controls, establishes internal control requirements for management of Federal awards to non-Federal entities.

Title 2 CFR Part 200, Uniform Guidance, sections 318-326 General procurement standards-Contract provisions, establishes procurement requirements.

Title 2 CFR Part 200, Uniform Guidance, section 320 Methods of procurement to be followed, describes the procurement methods to be followed.

Title 2 CFR Part 200, Uniform Guidance, section 213 – Suspension and debarment, establishes suspension and debarment requirements.

**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**

**Port of Camas-Washougal  
Clark County  
January 1, 2017 through December 31, 2017**

Board of Commissioners  
Port of Camas-Washougal  
Washougal, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Port of Camas-Washougal, Clark County, Washington, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Port's financial statements, and have issued our report thereon dated August 10, 2018.

We issued an unmodified opinion on the fair presentation of the Port's financial statements in accordance with its regulatory basis of accounting. We issued an adverse opinion on the fair presentation with regard to accounting principles generally accepted in the United States of America (GAAP) because the financial statements are prepared by the Port using accounting practices prescribed by Washington State statutes and the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) manual described in Note 1, which is a basis of accounting other than GAAP. The effects on the financial statements of the variances between the basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing our audit of the financial statements, we considered the Port's internal control over financial reporting (internal control) to determine the 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 the Port's

internal control. Accordingly, we do not express an opinion on the effectiveness of the Port'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 Port'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.

## COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Port's financial statements are free from material misstatement, we performed tests of the Port's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of 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 Port's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Port's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However,

this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy

State Auditor

Olympia, WA

August 10, 2018

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR  
EACH MAJOR FEDERAL PROGRAM AND REPORT ON  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE  
WITH THE UNIFORM GUIDANCE**

**Port of Camas-Washougal  
Clark County  
January 1, 2017 through December 31, 2017**

Board of Commissioners  
Port of Camas-Washougal  
Washougal, Washington

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL  
PROGRAM**

We have audited the compliance of the Port of Camas-Washougal, Clark County, Washington, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the Port's major federal programs for the year ended December 31, 2017. The Port's major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Port's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain

reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Port's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination on the Port's compliance.

### **Opinion on Each Major Federal Program**

In our opinion, the Port complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2017.

### **Other Matters**

The results of our auditing procedures disclosed instances of noncompliance with those requirements which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Finding 2017-001. Our opinion on each major federal program is not modified with respect to these matters.

### **Port's Response to Findings**

The Port's response to the noncompliance findings identified in our audit are described in the accompanying Schedule of Federal Award Findings and Questioned Costs. The Port's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## **REPORT ON INTERNAL CONTROL OVER COMPLIANCE**

Management of the Port is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Port's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance.

Accordingly, we do not express an opinion on the effectiveness of the Port's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Finding 2017-001, to be material weaknesses.

### **Port's Response to Findings**

The Port's response to the internal control over compliance findings identified in our audit is described in the accompanying Schedule of Federal Award Findings and Questioned Costs. The Port's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Purpose of this Report**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.

It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy

State Auditor

Olympia, WA

August 10, 2018



# INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

## **Port of Camas-Washougal Clark County January 1, 2017 through December 31, 2017**

Board of Commissioners  
Port of Camas-Washougal  
Washougal, Washington

### **REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying financial statements of the Port of Camas-Washougal, Clark County, Washington, for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Port's financial statements, as listed on page 20.

#### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of Washington State statutes and the *Budgeting, Accounting and Reporting System* (BARS) manual prescribed by the State Auditor described in Note 1. This includes determining that the basis of accounting is acceptable for the presentation of the financial statements in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether

due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Port's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Port's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Unmodified Opinion on Regulatory Basis of Accounting (BARS Manual)**

As described in Note 1, the Port of Camas-Washougal has prepared these financial statements to meet the financial reporting requirements of Washington State statutes using accounting practices prescribed by the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) manual. Those accounting practices differ from accounting principles generally accepted in the United States of America (GAAP). The differences in these accounting practices are also described in Note 1.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the Port of Camas-Washougal, for the year ended December 31, 2017, on the basis of accounting described in Note 1.

### **Basis for Adverse Opinion on U.S. GAAP**

Auditing standards issued by the American Institute of Certified Public Accountants (AICPA) require auditors to formally acknowledge when governments do not prepare their financial statements, intended for general use, in accordance with GAAP. The effects on the financial statements of the variances between GAAP and the accounting practices the Port used, as described in Note 1, although not reasonably determinable, are presumed to be material. As a result, we are required to issue an adverse opinion on whether the financial statements are presented fairly, in all material respects, in accordance with GAAP.

### **Adverse Opinion on U.S. GAAP**

The financial statements referred to above were not intended to, and in our opinion they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Port of Camas-Washougal, as of December 31, 2017, or the changes in financial position or cash flows for the year then ended, due to the significance of the matter discussed in the above "Basis for Adverse Opinion on U.S. GAAP" paragraph.

## Other Matters

### *Supplementary and Other Information*

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The Schedule of Liabilities is presented for purposes of additional analysis, as required by the prescribed BARS manual. These schedules are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

## OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated August 10, 2018 on our consideration of the Port'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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Port's internal control over financial reporting and compliance.



Pat McCarthy

State Auditor

Olympia, WA

August 10, 2018

## **FINANCIAL SECTION**

### **Port of Camas-Washougal Clark County January 1, 2017 through December 31, 2017**

#### **FINANCIAL STATEMENTS**

Fund Resources and Uses Arising from Cash Transactions – 2017  
Notes to Financial Statements – 2017

#### **SUPPLEMENTARY AND OTHER INFORMATION**

Schedule of Liabilities – 2017  
Schedule of Expenditures of Federal Awards – 2017  
Notes to the Schedule of Expenditures of Federal Awards – 2017

**Port of Camas-Washougal  
Fund Resources and Uses Arising from Cash Transactions  
For the Year Ended December 31, 2017**

**Beginning Cash and Investments**

30810	Reserved	-
30880	Unreserved	5,803,434
388 / 588	Prior Period Adjustments, Net	-

**Revenues**

310	Taxes	2,414,102
320	Licenses and Permits	-
330	Intergovernmental Revenues	1,988,308
340	Charges for Goods and Services	3,345,915
350	Fines and Penalties	-
360	Miscellaneous Revenues	109,185
Total Revenues:		<u>7,857,510</u>

**Expenditures**

540	Transportation	<u>3,111,060</u>
Total Expenditures:		<u>3,111,060</u>
Excess (Deficiency) Revenues over Expenditures:		4,746,450

**Other Increases in Fund Resources**

391-393, 596	Debt Proceeds	4,826,651
385	Special or Extraordinary Items	1,248,606
386 / 389	Custodial Activities	-
381, 395, 398	Other Resources	<u>590,649</u>
Total Other Increases in Fund Resources:		<u>6,665,907</u>

**Other Decreases in Fund Resources**

594-595	Capital Expenditures	5,836,877
591-593, 599	Debt Service	1,403,675
585	Special or Extraordinary Items	-
586 / 589	Custodial Activities	-
Total Other Decreases in Fund Resources:		<u>7,240,552</u>

**Increase (Decrease) in Cash and Investments:** **4,171,805**

**Ending Cash and Investments**

5081000	Reserved	1,971,940
5088000	Unreserved	<u>8,003,297</u>
<b>Total Ending Cash and Investments</b>		<b><u>9,975,237</u></b>

*The accompanying notes are an integral part of this statement.*

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Port of Camas-Washougal was incorporated in 1935 and operates under the laws of the state of Washington applicable to a port district.

**A. Reporting Entity**

The Port of Camas-Washougal is a special purpose government and provides airport hangar rentals, moorage, land and industrial development, and public recreation facilities to the general public and is supported primarily through user charges and property tax levy. The Port may acquire and improve land for sale or lease for industrial or commercial purposes. The Port is governed by an elected three-member board.

**B. Basis of Accounting**

The Port of Camas-Washougal reports financial activity in accordance with the *Cash Basis Budgeting, Accounting and Reporting System* (BARS) Manual prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW. This manual prescribes a financial reporting framework that differs from generally accepted accounting principles (GAAP) in the following manner:

- Financial transactions are recognized on a cash basis of accounting as described below.
- Component units are required to be disclosed, but are not included in the financial statements.
- Government-wide statements, as defined in GAAP, are not presented.
- All funds are presented, rather than a focus on major funds.
- The *Schedule of Liabilities* is required to be presented with the financial statements as supplementary information.
- Supplementary information required by GAAP is not presented.
- Ending balances are not presented using the classifications defined in GAAP.

The accounts of the Port of Camas-Washougal are maintained on the basis of funds. For reporting purposes, the financial activities of all the Port of Camas-Washougal funds are combined.

The Port of Camas-Washougal uses the cash basis of accounting where revenues are recognized only when cash is received and expenditures are recognized when paid.

The Port's annual budget is adopted on the same basis of accounting as used for financial reporting.

C. Cash and Investments

It is the Port of Camas-Washougal's policy to invest all temporary cash surpluses. The amount is included on the statement of Fund Resources and Uses Arising from Cash Transactions as Unreserved Cash and Investments. See Note 2.

D. Deposits

The Port of Camas-Washougal deposits are covered by the Federal Deposit Insurance Corporation and the Washington Public Deposit Protection Commission. See Note 2.

E. Capital Assets

Capital assets are assets with an initial individual cost of more than \$10,000 and an estimated useful life in excess of one year. Capital assets and inventory are recorded as capital expenditures when purchased.

In 2017, the Port Commission surplused 2 acres of land no longer needed for Port business.

F. Compensated Absences

Vacation leave may be accumulated up to 30 days and is payable upon separation, retirement, or death. Sick leave may accumulate up to 120 days. Upon retirement or death all unused sick leave may be exchanged for compensation at the rate of 2 sick days per 1 day of compensation. Payments are recognized as expenditures when paid.

The total compensated absences balance was \$79,033 at December 31, 2017. See Schedule 09, Schedule of Liabilities.

G. Long-Term Debt See Note 4.

H. Reserved Portion of Ending Cash and Investments

Beginning and Ending Cash and Investments is reported as reserved when it is subject to restrictions on use imposed by external parties or due to internal commitments established by resolution of the Port Commission. When expenditures that meet restrictions are incurred, the port intends to use reserved resources first before using unreserved amounts.

Reservations of Ending Cash and Investments consist of \$1,971,940. The port reservations of \$1,971,940 were imposed by 2017 revenue bond covenants for the construction of various capital projects approved by the Commission.

## I. Risk Management

Port of Camas-Washougal is a member of Enduris. Chapter 48.62 RCW provides the exclusive source of local government entity authority to individually or jointly self-insure risks, jointly purchase insurance or reinsurance, and to contract for risk management, claims, and administrative services. Enduris was formed July 10, 1987 pursuant to the provisions of Chapter 48.62 RCW, Chapter 200-100 WAC, and Chapter 39.34 RCW. Two (2) counties and two (2) cities in the State of Washington joined together by signing an interlocal governmental agreement to fund their self-insured losses and jointly purchase insurance and administrative services. As of August 31, 2016, there are 524 Enduris members representing a broad array of special purpose districts throughout the state. Enduris provides property and liability coverage as well as risk management services and other related administrative services.

Members make an annual contribution to fund Enduris and share in the self-insured retention of the jointly purchased excess and/or reinsurance coverage. The self-insured retention is:

- \$1,000,000 deductible on liability loss - the member is responsible for the first \$1,000 of the deductible amount of each claim, while Enduris is responsible for the remaining \$999,000 on a liability loss.
- \$250,000 deductible on property loss - the member is responsible for the first \$1,000 of the deductible amount of each claim, while Enduris is responsible for the remaining \$249,000 on a property loss.
- Enduris is responsible for the \$4,000 deductible on boiler and machinery loss.

Enduris acquires reinsurance from unrelated insurance companies on a “per occurrence” basis to cover all losses over the deductibles as shown on the policy maximum limits. Liability coverage is for all lines of liability coverage including Public Official’s Liability. The Property coverage is written on an “all risk”, blanket basis using current Statement of Values. The Property coverage includes but is not limited to mobile equipment, boiler and machinery, electronic data processing equipment, business interruption, course of construction and additions, property in transit, fine arts, cyber and automobile physical damage to insured vehicles. Liability coverage limit is \$20 million per occurrence and property coverage limit is \$1 billion per occurrence. Enduris offers crime coverage up to a limit of \$1 million per occurrence.

Since Enduris is a cooperative program, there is a joint liability among the participating members.

The contract requires members to continue membership for a period of not less than one (1) year and must give notice 60 days before terminating participation. The Master Agreement (Intergovernmental Contract) is automatically renewed after the initial one (1) full fiscal year commitment. Even after termination, a member is still responsible for contribution to Enduris for any unresolved, unreported and in-process claims for the period they were a signatory to the Master Agreement.

Enduris is fully funded by its member participants. Claims are filed by members with Enduris and are administered in house.



A Board of Directors consisting of seven (7) board members governs Enduris. Its members elect the Board and the positions are filled on a rotating basis. The Board meets quarterly and is responsible for conducting the business affairs of Enduris.

## **NOTE 2 – CASH, DEPOSITS AND INVESTMENTS**

The Port of Camas-Washougal's investments are entirely covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (WPDPC). Under State law, public depositories under the WPDPC may be assessed on a prorated basis if the pool's collateral is insufficient to cover a loss. As a result, deposits covered by collateral held in the multiple financial institution collateral pool are considered to be insured. State law requires that deposits may only be made with institutions that are approved by the WPDPC.

Investments are presented at original cost. Investments by type at December 31, 2017 are as follows:

<u>Type of Investment</u>	<u>Port's Own Investments</u>	<u>Investments held by Port as Agent for other local governments or private organizations</u>	<u>Total</u>
Wells Fargo Checking Accts	\$3,244,958	\$0	\$3,244,958
Wells Fargo Interest Bearing Accounts	\$138,479	\$0	\$138,479
US Bank Safekeeping Account	\$6,395	\$0	\$6,395
Federal National Mortgage Association	\$993,635	\$0	\$993,635
Clark County Investment Pool	\$5,591,770	\$0	\$5,591,770
	<u>\$9,975,237</u>	<u>\$0</u>	<u>\$9,975,237</u>

## **NOTE 3 – PROPERTY TAXES**

The county treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Collections are distributed throughout the month to the Port's Wells Fargo bank account by Clark County Treasurer.

Property tax revenues are recognized when cash is received by Clark County Treasurer. Delinquent taxes are considered fully collectible because a lien affixes to the property after tax is levied.

The Port's regular levy for 2017 was \$.1997 per \$1,000 on an assessed valuation of \$6,522,831,299 for a total regular levy of \$1,302,536. In addition, the Port's bond fund levy was \$.1686 per \$1,000

for a total of \$1,100,000. The total levy for 2017 was \$.3683 per \$1,000 resulting in a total tax levy of \$2,402,536. Actual tax levy revenue received in 2017 was \$2,414,102 or 100.5%.

#### **NOTE 4 – DEBT SERVICE REQUIREMENTS**

The Port of Camas-Washougal issues general obligation bonds to finance the acquisition and construction of capital assets.

The Port is also liable for revenue bonds, and a subordinate obligation loan to Washington State Community Economic Revitalization Board. The bonds and loan are payable from the revenues of the Port.

The accompanying Schedule of Long-Term Liabilities (09) provides more details of the outstanding debt and liabilities of the port and summarizes the port's debt transactions for year ended December 31, 2017.

The 2010, 2013 and 2015 general obligation bonds were incurred for land, buildings and infrastructure. The annual debt service requirements to maturity for general obligation bonds at December 31, 2017 are as follows:

G.O. Bonds	Principal	Interest	Total
2018	685,000	381,115	1,066,115
2019	705,000	363,858	1,068,858
2020	720,000	346,278	1,066,278
2021	745,000	325,053	1,070,053
2022	770,000	303,678	1,073,678
2023 - 2027	4,190,000	1,162,558	5,352,558
2028 - 2032	3,855,000	419,780	4,274,780
Total	\$11,670,000	\$3,302,320	\$14,972,320

The Port of Camas-Washougal issued Revenue Bonds on June 28, 2017. These bonds are revenue obligations of the Port and are secured by a pledge of Net Revenues. As long as any Revenue Bonds remain outstanding, the Port has obligated and bound itself irrevocably to set aside and pay from Net Revenue or money in the General Fund into the Bond Fund the amounts necessary to pay the principal of and interest on the bonds when they become due (June 1 and December 1 of each year, for 20 years).

Below is the Operating Income by Business Line\* at December 31, 2017:

	<b>Industrial Park</b>	<b>Airport</b>	<b>Marina</b>	<b>Total</b>
Operating Revenue	\$1,982,642	\$412,451	\$930,938	\$3,326,030
Operating Expenses	\$474,004	\$286,150	\$511,798	\$1,271,952
Net Operating Income	\$1,508,638	\$126,301	\$419,140	\$2,054,078

\* before administrative and park expenses

The bond proceeds consist of \$4,575,000 along with \$251,651 in original issuance premium. Beginning in 2019, there is a required \$100,000 extra principal payment for 10 years (through 2028). There are both taxable and non-taxable portions to this bond issue. The 2017A Bonds are taxable and in the amount of \$2,825,000 along with a \$65,382 premium. The 2017B Bonds are tax-exempt and in the amount of \$1,750,000 along with a \$186,269 premium.

The 2017 revenue bonds were incurred for land, buildings and infrastructure. The annual debt service requirements to maturity for revenue bonds at December 31, 2017 are as follows:

Revenue Bonds	Principal	Interest	Total
2018	0	189,000	189,000
2019	195,000	189,000	384,000
2020	200,000	182,600	382,600
2021	205,000	176,000	381,000
2022	210,000	169,200	379,200
2023 - 2027	1,050,000	714,800	1,764,800
2028 - 2032	1,490,000	460,350	1,950,350
2033 - 2037	1,225,000	144,100	1,369,100
Total	\$4,575,000	\$2,225,050	\$6,800,050

The Port is also liable for one interagency Washington State Community Revitalization Board (CERB) loan. This loan is payable from the revenues of the Port.

The 2013 subordinate interagency loan outstanding at December 31, 2017 is as follows:

CERB Loans	Principal	Interest	Total
2018	26,263.16	11,161.84	37,425.00
2019	26,263.16	10,505.26	36,768.42
2020	26,263.16	9,848.68	36,111.84
2021	26,263.16	9,192.11	35,455.27
2022	26,263.16	8,535.53	34,798.69
2023 - 2027	131,315.79	32,828.95	164,144.74
2028 - 2032	131,315.78	16,414.47	147,730.25
2033 - 2034	52,526.31	1,969.74	54,496.05
Total	\$446,473.68	\$100,456.58	\$4,546,930.26

## **NOTE 5 – PENSION PLANS**

Substantially all port full-time and qualifying part-time employees participate in the PERS Plan 2 and PERS Plan 3 administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans.

The State Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

The Department of Retirement Systems, a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to:

Department of Retirement Systems  
Communications Unit  
PO Box 48380  
Olympia, WA 98504-8380

Also, the DRS CAFR may be downloaded from the DRS website at [www.drs.wa.gov](http://www.drs.wa.gov).

At June 30, 2017, the Port of Camas-Washougal's proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

	Allocation %	Liability
PERS 1	.008149%	\$386,676
PERS 2/3	.010479%	\$364,095

#### **NOTE 6 – CONSTRUCTION IN PROGRESS**

The Port has active construction projects as of December 31, 2017. The projects include:

Project	Spent to Date	Remaining Commitment
Structural Repair Hangar A	\$8,581	\$3,419
Fuel Station Apron Paving	\$9,496	\$80,504
Water Tank Rehabilitation	\$206	\$79,794
C Row Hangar & FBO Demo/Construction*	\$1,281,088	\$0
Fuel Dock Rebuild	\$15	\$54,992
Upper Marina Electrical A B C D E (Engineering)	\$12,730	\$2,070
Upper Marina Electrical A B C D E (Construction)	\$0	\$246,068
Dock Cameras	\$28,085	\$25,125
Waterfront Development	\$43,927	\$0
Waterfront Park Natural Play Area (Design)	\$21,423	\$7,359
Wayfinding Signage (Design)	\$31,100	\$1,750

Bldg 18 (Engineering & Construction)**	\$2,363,339	\$3,585,710
Mobile Friendly Website Design	\$172	\$24,828
The Port has the funding available to pay all Port commitments listed.		

\* C Row Hangar & FBO Demo/Construction project came about from C Row's fire in October 2014 and the FBO roof damage from a windstorm in November 2014. Our insurance carrier, Enduris, will be covering all costs, therefore, this amount of \$1,281,088 was reimbursed by Enduris.

\*\*Building 18 Construction has grant revenue from EDA and CERB that offsets actual port costs. Total spent in 2017 was \$2,363,339, however the port received \$1,935,963 in grant revenues leaving an actual cost to the port for 2017 of \$427,376. The remaining commitment of \$3,585,710 will be offset with EDA and CERB revenue of \$2,939,037 leaving an actual cost to the port for 2018 of \$646,673.

## **NOTE 7 – POLLUTION REMEDIATION**

The port's Hambleton property has ground contaminated with oil and fuels from lumber yard business activities.

The port worked with the Washington State Department of Ecology (DOE) to clean up the site. DOE awarded a 90% grant coverage to the port for the cleanup cost of \$861,222.

Total cost to the port for the cleanup would be 10% of the \$861,222 or \$86,122. The port has also received an insurance settlement for the land contamination in the amount of \$256,142.

Actual amount spent on cleanup is \$580,406.04. Of this amount, \$516,523.15 was reimbursed by DOE with the remaining owing of \$63,882.89 covered by our insurance settlement.

The port received a Status of Agreed Order No. 9935 from the Department of Ecology on August 6, 2015 stating no further remedial action is necessary to clean up contamination at the site. However, monitoring and periodic reviewing of the conditions at the site will remain in effect until groundwater cleanup levels have been achieved. The cost for this monitoring will be roughly \$3,000-\$5,000 every 18 months.

## **NOTE 8 – OPEB**

The port has a commitment to pay for post-employment benefits for employees that belong to PEBB. These benefits include medical, dental, vision, LTD, and life insurance. No retirees received benefits during the year and \$0 was paid out for those benefits during the year.

## **NOTE 9 – FORMATION OF PUBLIC CORPORATION**

The Port of Camas-Washougal's Public Industrial Corporation was formed in 1982 by the Port Commissioners pursuant to the provisions of 1981 Washington laws Chapter 300 to promote local economic development. Commissioners of the Port of Camas-Washougal also serve as directors of the Port of Camas-Washougal's Public Industrial Corporation.

The corporation had authorized and issued bonds totaling \$10,900,000 in 1982. In 1993, the corporation refunded the entire 1982 bond for \$10,300,000 with a maturity date of April 1, 2023. On February 8, 2012, Georgia Pacific called for redemption of all the outstanding \$10,300,000 refunding revenue bonds. With this action, there were no further annual \$3,000 deposits required from Georgia Pacific to Public Industrial Corporation, resulting in an ending account balance of \$0, and the bank account being closed. There was no activity with PIC in 2017.

## **NOTE 10 – SUBSEQUENT EVENT: LAND PURCHASE**

The Port of Camas-Washougal purchased approximately 11 acres of waterfront property from Killian Pacific in the amount of \$5,982,522.50; and Killian Pacific in exchange purchased 8.5 acres of waterfront property from the Port of Camas-Washougal in the amount of \$2,533,445.67; leaving a net balance to be funded by the port of \$3,449,076.83. This transaction occurred in July 2018.

**Port of Camas-Washougal  
Schedule of Liabilities  
For the Year Ended December 31, 2017**

<b>ID. No.</b>	<b>Description</b>	<b>Due Date</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
<b>General Obligation Debt/Liabilities</b>						
251.11	Refunded 1999C and 2001B Bonds - 2010 Series A	12/1/2021	785,000	-	90,000	695,000
251.11	Refunded 1999B and 2001 A Bonds - 2010 Series B	12/1/2019	430,000	-	165,000	265,000
251.11	Refunded portion of 2004B Bonds - 2013 Series A	12/1/2023	880,000	-	170,000	710,000
251.11	Acquire land and Refunded portion of 2004B Bonds - 2013 Series B	12/1/2032	6,515,000	-	-	6,515,000
251.11	Construct Waterfront Park & Trail - 2015 Series A	12/1/2029	965,000	-	-	965,000
251.11	Construct Bldg 17 and other capital projects - 2015 Series B	12/1/2027	2,765,000	-	245,000	2,520,000
263.85	CERB Loan - 2013	1/31/2034	472,737	-	26,263	446,474
<b>Total General Obligation Debt/Liabilities:</b>			<b>12,812,737</b>	<b>-</b>	<b>696,263</b>	<b>12,116,474</b>
<b>Revenue and Other (non G.O.) Debt/Liabilities</b>						
252.11	Construct Bldg 18 and Waterfront Land purchase - 2017 Series A	12/1/2035	-	2,825,000	-	2,825,000
252.11	Other capital projects - 2017 Series B	12/1/2037	-	1,750,000	-	1,750,000
259.12	Compensated Absences		59,077	19,956	-	79,033
264.30	PERS 1		463,364	-	76,688	386,676
264.30	PERS 2/3		556,107	-	192,012	364,095
<b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b>			<b>1,078,548</b>	<b>4,594,956</b>	<b>268,700</b>	<b>5,404,804</b>
<b>Total Liabilities:</b>			<b>13,891,285</b>	<b>4,594,956</b>	<b>964,963</b>	<b>17,521,278</b>

**Port of Camas-Washougal  
Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2017**

Federal Agency (Pass-Through Agency)	Federal Program	Expenditures					Passed through to Subrecipients	Note
		CFDA Number	Other Award Number	From Pass- Through Awards	From Direct Awards	Total		
<b>Economic Development Cluster</b>								
Economic Development Administration, Department Of Commerce	Investments for Public Works and Economic Development Facilities	11.300	070107296	-	1,201,918	1,201,918	-	1, 2
<b>Total Economic Development Cluster:</b>				-	<b>1,201,918</b>	<b>1,201,918</b>	-	
<b>Total Federal Awards Expended:</b>				-	<b>1,201,918</b>	<b>1,201,918</b>	-	



## Port of Camas-Washougal

### **Notes to the Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2017**

Note 1 – Basis of Accounting

This schedule is prepared on the same basis of accounting as the Port of Camas Washougal's financial statements. The Port uses the cash basis of accounting.

Note 2 – Indirect Cost Rate

The Port of Camas-Washougal has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

## **CORRECTIVE ACTION PLAN FOR FINDINGS REPORTED UNDER UNIFORM GUIDANCE**

### **Port of Camas-Washougal Clark County**

**January 1, 2017 through December 31, 2017**

This schedule presents the corrective action planned by the Port for findings reported in this report in accordance with Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

<b>Finding ref number:</b> 2017-001	<b>Finding caption:</b> The Port did not have adequate internal controls to ensure compliance with federal procurement and suspension and debarment requirements.
<b>Name, address, and telephone of Port contact person:</b> Kim Noah, Director of Finance 24 South A Street Washougal, WA 98671 (360) 335-3684	
<b>Corrective action the auditee plans to take in response to the finding:</b> <i>The Port of Camas Washougal has revised its contract policies to make sure the federal procurement and suspension and debarment requirements are met in the future.</i>	
<b>Anticipated date to complete the corrective action:</b> Policies will be approved by Port Commission on August 6, 2018.	

## ABOUT THE STATE AUDITOR'S OFFICE

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