Washington State Auditor's Office

Troy Kelley

Integrity • Respect • Independence

Financial Statements and Federal Single Audit Report

Port of Vancouver

Clark County

For the period January 1, 2014 through December 31, 2014

Published April 27, 2015

Report No. 1014102

Washington State Auditor
Troy Kelley

April 27, 2015

Board of Commissioners
Port of Vancouver
Vancouver, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on the Port of Vancouver'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,

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

TABLE OF CONTENTS

FEDERAL SUMMARY

Port of Vancouver
Clark County
January 1, 2014 through December 31, 2014

The results of our audit of the Port of Vancouver are summarized below in accordance with U.S. Office of Management and Budget Circular A-133.

Financial Statements

An unmodified opinion was issued on the basic financial statements.

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 no 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 no findings that are required to be disclosed under section 510(a) of OMB Circular A-133.

Identification of Major Programs:

The following was a major program during the period under audit:

CFDA No.	Program Title
20.319	ARRA - High-Speed Rail Corridors and Intercity Passenger Rail Service – Capital Assistance Grants

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by OMB Circular A-133, was $300,000.

The Port qualified as a low-risk auditee under OMB Circular A-133.

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 Vancouver
Clark County
January 1, 2014 through December 31, 2014

Board of Commissioners
Port of Vancouver
Vancouver, 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 Vancouver, Clark County, Washington, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Port's basic financial statements, and have issued our report thereon dated April 3, 2015.

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.

Troy X. Kelley

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

April 3, 2015

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Port of Vancouver
Clark County
January 1, 2014 through December 31, 2014

Board of Commissioners
Port of Vancouver
Vancouver, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited the compliance of the Port of Vancouver, Clark County, Washington, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014. The Port's major federal programs are identified in the accompanying Federal Summary.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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, 2014.

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 OMB Circular A-133, 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 that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

PURPOSE OF THIS REPORT

The purpose of this report 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 OMB Circular A-133. 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.

Troy X. Kelley

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

April 3, 2015

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Port of Vancouver
Clark County
January 1, 2014 through December 31, 2014

Board of Commissioners
Port of Vancouver
Vancouver, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Port of Vancouver, Clark County, Washington, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Port's basic financial statements as listed on page 14.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 an opinion 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Port of Vancouver, as of December 31, 2014, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 15 through 19 be 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. We 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 about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Port's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by

U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. This schedule is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic 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 April 3, 2015 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.

Troy X. Kelley

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

April 3, 2015

FINANCIAL SECTION

Port of Vancouver
Clark County
January 1, 2014 through December 31, 2014

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2014

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2014
Statement of Revenues, Expenses and Changes in Net Position – 2014
Statement of Cash Flows – 2014
Notes to Financial Statements – 2014

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2014
Notes to the Schedule of Expenditures of Federal Awards – 2014

Introduction

As management of the Port of Vancouver (port), we offer readers of the port's financial statements this narrative overview and analysis of the financial activities of the port for the fiscal year ended December 31, 2014, with selected comparative information for the year ended December 31, 2013. We encourage readers to consider the information presented here in conjunction with the financial statements and notes to the financial statements which immediately follow this discussion.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the port's financial statements. The port's financial statements include two components: 1) the port's basic financial statements, and 2) the notes to the financial statements.

The notes provide additional information that is essential to a full understanding of the data provided in the port's financial statements. The notes to the financial statements can be found following the financial statements of this report.

The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Fund Net Position tell us whether the port's financial position has improved as a result of the year's activities. The Statement of Net Position provides information on all of the port's assets, liabilities and deferred inflows and outflows, with the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources is called net position. Overtime, increases or decreases in net position may serve as an indicator of whether the financial position of the port is improving or deteriorating. The Statement of Revenues, Expenses and Changes in Fund Net Position show how the port's net position changed during the year. These changes are reported as the underlying event occurs regardless of the timing of related cash flows (Accrual Basis).

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The port uses only one fund, an enterprise fund, which is a type of proprietary fund. An enterprise fund reports business type activities.

Financial Analysis

<u>Condensed Financial Position Information</u>
The *Statement of Net Position* reflects the port's financial position at year end. Financial position is represented by the difference between assets owned, deferred outflows, and liabilities owed at a specific point in time. The difference between the two is reflected as net position. As previously noted, changes in net position over time can be an indicator of the port's financial position.

<u>Financial Highlights</u>

- Total assets of the port and deferred outflows exceeded its liabilities by $294.795 million (reported as total net position). Total net position increased by $19.829 million in comparison with the prior year due to the increase in capital assets.
- Total current and restricted assets decreased by $6.592 million from 2013, primarily from the results of the continuation of the West Vancouver Freight Access project.
- As debt is paid down and cost-cutting measures are implemented, total liabilities decreased by $6.627 million from the prior year.

The following condensed financial information provides an overview of the port's financial position for the fiscal years ended December 31.

NET POSITION		
	2014	2013
Assets:		
Current and restricted assets	$ 21,809,050	$ 28,400,873
Capital assets, net	351,098,481	331,070,504
Other noncurrent assets	25,010,479	25,033,202
Total Assets	$397,918,010	$384,504,579
Deferred Outflows of Resources:		
Deferred Charge on Refunding	2,466,563	2,677,719
Total Deferred Outflows of Resources	$ 2,466,563	$ 2,677,719
Liabilities:		
Current liabilities	$ 15,705,129	$ 15,322,817
Noncurrent liabilities	89,884,295	96,893,806
Total Liabilities	$105,589,424	$112,216,623
Net Position:		
Net Invested in capital assets, net of related debt	$290,151,502	$266,191,815
Restricted	870,473	776,640
Unrestricted	3,773,174	7,997,220
Total Net Position	$294,795,149	$274,965,675

Summary of Operations and Changes in Net Position

The *Statement of Revenues, Expenses, and Changes in Fund Net Position* presents how the port's net position changed during the current and previous fiscal year as a result of operations. The port employs an accounting method that records revenue and expenses when they are incurred, regardless of when cash is exchanged. Thus, some revenues and expenses reported in this statement may affect future period cash flows (e.g. uncollected receivables).

Revenues:

- Moving past the economic challenges experienced in 2012 and 2013, as a result of the port's diversified commodity mix, 2014 experienced an increase in marine revenues to $26.492 million. This is a change of 47.04 percent or $8.48 million from 2013.
- The port experienced stable occupancy of its industrial leasehold facilities. Lease occupancy was 99 percent in 2014. Although market rates have been decreasing, lease revenue was $8.006 million, a slight decrease of less than a quarter of a percent from 2013.
- Total 2014 operating revenues increased by $7.670 million (25.67 percent) over 2013 operating revenues.

Expenses:

- 2014 total operating expenses, before depreciation, increased by $5.877 million (27.83 percent) over 2013 expenses. Operating income, after depreciation, was $1.305 million at December 31, 2014 as compared to $119,846 at 2013 year end.

Non-Operating:

- 2014 total nonoperating revenue (expenses) decreased by $3.641 million from 2013, primarily due the decreased federal and state grant revenue, the surplus of capital assets, and an adjustment to estimated environmental remediation activity costs.
- The port continues to be successful in applying for several grants. Grant revenue decreased by $5.388 million from 2013 to $7.705 million in 2014.

The table summarizes the operations for fiscal years ending December 31.

CHANGE IN NET POSITION		
	2014	2013
REVENUES		
Operating Revenues:		
Marine terminal operations	$ 26,491,793	$ 18,016,133
Property lease/rental operations	8,006,432	8,019,769
Facilities sales and service	2,433,355	3,458,075
Security sales and service	553,142	307,510
General and administrative	62,355	75,374
Nonoperating Revenues:		
Ad valorem tax revenues	9,987,366	10,014,288
Interest income	206,081	229,545
Federal and State Grants	7,704,960	13,093,003
Environmental remediation	2,404,145	706,870
Other nonoperating revenues	336,617	375,658
Total Revenues	$ 58,186,246	$ 54,296,225
EXPENSES		
Operating Expenses:		
Marine terminal operations	$ 12,459,459	$ 7,201,200
Facilities	5,563,801	5,516,404
Security	1,786,104	1,585,155
General and administrative	7,188,417	6,817,606
Depreciation	9,244,612	8,636,650
Nonoperating Expenses:		
Interest expense	2,259,773	2,352,292
Other nonoperating expenses	63,257	110,383
Total Expenses	$ 38,565,423	$ 32,219,690
Change in net assets	19,620,823	22,076,535
Total net postion - beginning	274,965,675	253,192,319
Change in Accounting Principle	-	(571,005)
Capital contribution	208,651	267,826
Total net position - ending	$294,795,149	$274,965,675

Capital Asset and Debt Administration

Capital Assets

The port's investment in total capital assets as of December 31, 2014 totaled $351.098 million (net of accumulated depreciation). The port's investment in capital assets includes land, buildings, improvements (other than buildings), machinery and equipment, and construction in progress. The total increase in the port's investment in capital assets for the current year was $20.028 million or 6.05 percent.

Major capital asset events during 2014 included the following:

Components of the multi-year West Vancouver Freight Access project continue through engineering and construction. The port completed of the Gateway Avenue Grade Separation ($15.448 million), the security building ($1 million), the Centennial Industrial Park ($6.530 million), the Terminal 5 track expansion ($8.974 million), and a Rail Tamper ($1 million).

Additional information on the port's capital assets activity may be found in Note 4 in the notes to the financial statements.

Long-term Debt

At December 31, 2014, long-term debt outstanding totaled $94.898 million. Of this amount, $51.583 million comprises general obligation debt, $25 million represents special revenue bonds secured by a letter of credit, and $3.4 million represents the amount outstanding on the port's line of credit.

Additional information on the port's long-term debt can be found in Note 9 in the notes to the financial statements.

Economic Factors and 2015 Budget

Economic Factors

- Strategic decisions over the past decade have positioned the Port of Vancouver USA to take full advantage of upticks in the global economy. Leveraging revenue, tax dollars, and federal and state grant funds, the port invested in critical infrastructure and assets, including rail, equipment and dock improvements. Continuing a general upward trend in revenue, the port saw a 25 percent increase in operating income over 2013. Operating income rose from $29.8 to $37.5 million, making 2014 the best revenue year in the Port of Vancouver's 103-year history.

- In 2014, the Port of Vancouver saw a 47 percent increase in overall tonnage, taking tonnage to 6.6 million metric tons – another record-breaking number for the port. The port's cargo mix and tonnage is a good reflection of the national and global market, namely because materials essential to many industries move across its docks. This includes steel, bentonite clay, copper and wood pulp – all commodities that increased last year. Grain exports are another indicator of the global market. As economies worldwide mature, consumers are demanding more grain products. All grains exported through the port saw gains in 2014, with impressive increases in corn and soybeans. These increases were made possible by partnership between the port and United Grain Corp., and both entities' willingness to invest in infrastructure to support the efficient movement of these products in a very competitive market. Grain continues to be the largest export commodity at the Port of Vancouver by volume. Wheat, corn and soybeans combined saw a 53 percent overall increase from 2013. One factor affecting this increase is the growth of United Grain Corp. last year; the bulk agricultural commodity handler invested in its facility to take advantage of increased rail capacity from the port's West Vancouver Freight Access project. Scrap metal exports declined slightly due to fluctuations in currency and the global economy.

- Import volume more than doubled in 2014. Much of the increase was fueled by major gains in steel slabs and wind energy components, which require the port's unique equipment capabilities and laydown space. Subaru vehicle imports were up 18 percent, and the longtime port tenant continues to enjoy steady growth year over year. It was a great year for imports at the Port of Vancouver. Tenant Subaru of America had its best year ever at the port, with more than 81,000 automobiles imported from Japan. The port also saw the addition of two new types of imports in 2014: urea and steel slabs. Urea, an ingredient used as, or in, natural fertilizers, returned to the port with great numbers, bringing in just over 108,000 metric tons. The addition of steel slabs to our import repertoire helped us realize a 495 percent increase in steel imports over 2013. At the end of 2013, the port set a goal of increasing wind-energy component imports. We're happy to report we exceeded that goal in 2014 with a notable increase of 238 percent.

- Industrial occupancy at the port continues to hover at an impressive 99 percent. The port's tenants offer a wide range of products and services – everything from wood paneling and aluminum extrusion to food transportation and electronics recycling. Some port tenants expanded operations in 2014, including Keller Supply Co., which doubled its space from 12,000 to 24,000 square feet. The port saw a 23 percent increase in rail cars, many from increased grain shipments for United Grain Corp., which saw big increases in corn and soybean exports. 2014 was also the first full year the American Empress docked at the port's Terminal 1 near the Red Lion Inn at the Quay. The riverboat attracted about 6,000 tourists to Vancouver's waterfront and downtown.

- For the fourth year in a row, the port continued its commitment to renewable energy through the purchase Renewable Energy Credits (RECs) equal to 100 percent of its purchased electricity. The port also continued its efforts at innovative stormwater management through the use of biofiltration technology that enabled the port to meet its regulatory requirements to control zinc, oil and other runoff contaminants. The port's innovative stormwater management also included the installation of floating wetlands in its Terminal 4 stormwater retention pond to assist in reducing metals such as copper and zinc.

- The port continues its installation of bike and pedestrian trails on Lower River Road. A grant awarded in 2013 will construct a new section linking the administrative building to C-Tran bus service. The grant also funded design of another section that will make all the trail pieces contiguous to Gateway Avenue. These projects are part of the port's overall plan to construct approximately 3.7 miles of safe passage for bicyclists and pedestrians along Lower River Road. When complete, the trail will connect downtown Vancouver to the Flushing Channel at Vancouver Lake. Future segments of the path will be funded as the port's western properties, such as Columbia Gateway, are developed, or as additional grant funds are acquired.

- The port has also entered into unique mitigation agreements with two local non-profit groups, Vancouver Watersheds Alliance and Friends of Trees. These agreements allow both groups to plant trees on behalf of the port to help mitigate for development of port properties and improve local urban tree canopy by establishing trees throughout the city of Vancouver.

2015 Budget
The port's 2015 operating revenues are forecast at $56.813 million, which is an increase over the $37.548 million 2014 actual operating revenues. This increase is attributed to retaining strong imports of heavy lift cargos, continued industrial development, customers interested in connecting the Midcontinent to international and domestic markets, and bulk exports. 2015 operating expenses are forecast at $45.453 million, an increase over the actual 2014 operating expenses of $26.998 million.

The $45.245 million 2015 capital budget represents various facility and terminal improvements. However, the continued engineering and construction of the West Vancouver Freight Access project remains a priority to improve the passenger and freight network operating on the Pacific Northwest Rail Corridor.

Requests for Information
This financial report is designed and intended to provide a general overview of the Port of Vancouver's financial position. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Port of Vancouver, Auditor, 3103 NW Lower River Road, Vancouver, WA 98660 or www.PortVanUSA.com.

PORT OF VANCOUVER USA
STATEMENT OF NET POSITION
For the Year Ended December 31, 2014

ASSETS	
Current Assets	
Cash and cash equivalents (Note 1)	$ 10,059,964
Restricted cash and cash equivalents (Note 1)	1,446,901
Total Cash and Investments	11,506,865
Other Current Assets	
Accounts receivable - trade (net)	3,874,588
Prepaid insurance	426,045
Grants receivable	1,524,961
Taxes receivable	252,573
Note receivable (current portion)	3,007,069
Inventory	1,145,829
Prepaid expense	71,120
Total Other Current Assets	10,302,185
Total Current Assets	21,809,050
Noncurrent Assets	
Capital Assets Not Being Depreciated (Note 4)	
Land and land rights	89,335,685
Construction in progress	94,271,677
Total Capital Assets Not Being Depreciated	183,607,362
Capital Assets Being Depreciated (Note 4)	
Buildings and structures	39,580,129
Machinery and equipment	22,469,079
Improvements	228,979,185
Intangible asset (Note 4)	14,163
Total Capital Assets Being Depreciated	291,042,556
Accumulated Depreciation	(123,551,437)
Total Net Capital Assets	351,098,481
Other Noncurrent Assets	
Minimum lease payments-revenue bonds (Note 9)	25,000,000
Note receivable	10,479
Total Other Noncurrent Assets	25,010,479
TOTAL ASSETS	**$ 397,918,010**
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Charge on Refunding (Note 9)	2,466,563
TOTAL DEFERRED OUTFLOWS OF RESOURCES	**$ 2,466,563**

See Accompanying Notes to the Financial Statements

PORT OF VANCOUVER USA
STATEMENT OF NET POSITION
For the Year Ended December 31, 2014

LIABILITIES	
Current Liabilities	
Accounts payable	$ 5,943,153
Payroll payable	621,032
Taxes payable	372,487
Retainage	160,571
Payable from restricted assets (customer deposits)	570,285
Current portion of GO Bonds (Note 9)	3,780,000
Current portion of other long-term obligations (Note 9)	4,097,045
Bond interest payable	160,556
Total Current Liabilities	15,705,129
Noncurrent Liabilities	
Employee leave benefits	976,410
Line of Credit	3,400,000
General obligation bonds - net (Note 9)	51,582,552
Revenue bond	25,000,000
Note payable	553,945
Environmental remediation (Note 12)	7,974,635
Unearned Revenue	396,753
Total Noncurrent Liabilities	89,884,295
TOTAL LIABILITIES	**$ 105,589,424**
NET POSITION	
Total net investment in capital assets	290,151,502
Restricted (Note 11)	870,473
Unrestricted	3,773,174
TOTAL NET POSITION	**$ 294,795,149**

See Accompanying Notes to the Financial Statements

PORT OF VANCOUVER USA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
For the Year Ended December 31, 2014

OPERATING REVENUES	
Marine terminal/operations	$ 26,491,793
Property lease/rental operations	8,006,432
Facilities sales and service	2,433,355
Security sales and service	553,142
General and administrative	62,355
Total Operating Revenues	37,547,077
OPERATING EXPENSES	
Marine terminal/operations	12,459,459
Facilities	5,563,801
Security	1,786,104
General and administrative	7,188,417
Total before depreciation	26,997,781
Depreciation	9,244,612
Total Operating Expenses	36,242,393
Operating Income	$ 1,304,684
NONOPERATING REVENUES (EXPENSES)	
Ad valorem tax revenues	$ 9,987,366
Interest income	206,081
Federal and state grants	7,704,960
Other revenues	210,345
Repair and replacement revenue	106,018
Miscellaneous taxes	6,000
Sale of equipment and scrap	14,254
Environmental remediation	2,404,145
Columbia River Channel Improvement expense	(47,388)
Interest expense	(2,259,773)
Other expense	(15,869)
Total Nonoperating Revenues (Expenses)	18,316,139
Income(Loss) before other revenues, expenses, gains, loses, and transfers	19,620,823
Capital contribution	208,651
Increase (decrease) in net position	19,829,474
Net Position as of January 1	274,965,675
Net Position as of December 31	**$ 294,795,149**

See Accompanying Notes to the Financial Statements

PORT OF VANCOUVER USA
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2014

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	$ 32,978,994
Payments to suppliers	(17,068,769)
Payments to employees	(8,569,804)
Other receipts (payments)	267,022
Net cash provided (used) by operating activities	7,607,443
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Payments for environmental remediation	(623,368)
Net cash provided by noncapital financing activities	(623,368)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from restricted property taxes	5,691,572
Proceeds from unrestricted property taxes	4,339,350
Grants received	9,832,747
Acquisition and construction of capital assets	(29,735,129)
Principal paid on bonds	(3,645,000)
Interest paid on bonds	(2,038,101)
Proceeds from line of credit	3,400,000
Principal paid on notes	(3,715,737)
Interest paid on notes	(12,736)
Proceeds from contributed capital	208,651
Proceeds from bond administration	6,000
Net cash used for capital and related financing activities	(15,668,383)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends	17,046
Net cash provided by investing activities	17,046
Net increase (decrease) in cash and cash equivalents	(8,667,262)
Cash and cash equivalents and January 1	20,174,127
Cash and cash equivalents at December 31	$ 11,506,865
Reconcile operating income to net cash provided by operating activities	
Net operating income (loss)	$ 1,304,684
Adjustments:	
Depreciation	9,244,612
Change in assets and liabilities:	
Accounts receivable	(1,342,212)
Inventory	18,408
Unearned revenues	(282,857)
Other operating receivables	(2,947,770)
Accounts payable	1,055,905
Prepaid expenses	33,352
Taxes payable	75,022
Accrued liabilities	181,277
Nonoperating revenues (expenses)	267,022
Total adjustments	(2,941,853)
Net cash provided by operating activities	$ 7,607,443

See Accompanying Notes to the Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Port of Vancouver (port) was incorporated in 1912 and operates under the laws of the state of Washington applicable to a public port district as a municipal corporation under the provisions of Chapter 53 of the *Revised Code of Washington* (RCW). The financial statements of the port have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governments.

A. Reporting Entity

The port is in Clark County, Washington, and comprises territory less than the entire county, which is divided into three port districts. The port is governed by a three-member Board of Commissioners (commission) elected by port voters. The commission possesses final decision-making authority and is held primarily accountable for decisions. The commission appoints management, which is responsible for the day-to-day operations of the port. Management is held accountable to the commission. The commission and appointed management possess the ability to significantly influence operations, including authority to review and approve budgets, sign contracts as the contracting authority, approve the hiring and retention of key managerial personnel, exercise control over facilities and properties and determine the outcome or disposition of matters affecting the port's customers. The port is independent from Clark County, which levies and collects taxes on behalf of the district. The port is a primary government and does not have any component units.

The RCW authorizes the port to provide and charge rentals, tariffs and other fees for docks, wharves and similar harbor facilities, including associated storage and traffic handling facilities for waterborne commerce. The port may also provide freight and passenger terminals and transfer and storage facilities for other modes of transportation, including air, rail and motor vehicles. The port may acquire and improve land for sale or lease for industrial or commercial purposes and may create industrial development districts.

The powers of eminent domain and ad valorem taxation upon the real and personal property within the district are also within the scope of port districts.

B. Basis of Accounting and Reporting

The accounting records of the port are maintained in accordance with methods prescribed by the State Auditor under the authority of Chapter 43.09 RCW. The port uses the *Budgeting, Accounting and Reporting System for GAAP Port Districts* in the State of Washington.

Funds are accounted for on a cost of services or economic resources measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their statements of net position (or balance sheets). Their reported fund position is segregated into net investment in capital assets, restricted and unrestricted components of net position. Operating statements present increases (revenues and gains) and decreases (expenses and losses) in net position. The port discloses changes in cash flows by a separate statement that presents their operating, noncapital financing, capital and related financing and investing activities.

The port uses the full-accrual basis of accounting where revenues are recognized when earned, and expenses are recognized when incurred. Capital asset purchases are capitalized and long-term liabilities are accounted for in the appropriate fund.

The port distinguishes between operating revenues and expenses from nonoperating ones. Operating revenues and expenses result from providing services and producing and delivering goods in connection with the port's principal ongoing operations. Terminal services and property rental revenues are charges for use of the port's facilities and are reported as operating revenue. Operating expenses for the port include the costs of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Ad valorem tax levy revenues, interest income, grant reimbursements and other revenues generated from non-operating sources are classified as non-operating revenue.

C. Use of Estimates
The preparation of the port's financial statements in conformity with accounting principles generally accepted in the United States 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. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

D. Assets, Liabilities and Net Position

1. Cash and Cash Equivalents
It is the port's policy to invest all temporary cash surpluses. At December 31, 2014, the treasurer was holding $11,506,865 in short-term residual investments of surplus cash. This amount is classified on the statement of net position as cash and cash equivalents.

The amounts reported as cash and cash equivalents also include compensating balances maintained with certain banks in lieu of payments for services rendered. The average compensating balance maintained during 2014 was approximately $2,500,000.

For purposes of the statement of cash flows, the port considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

2. Receivables
Taxes receivable consist of property taxes and related interest and penalties (See Note 3). Accrued interest receivable consists of amounts earned on investments, notes and contracts at the end of the year.

Customer accounts receivable consist of amounts owed from private individuals or organizations for goods and services including amounts owed for which billings have not been prepared. Notes and contracts receivable consist of amounts owed on open account from private individuals or organizations for goods and services rendered.

Receivables have been recorded net of estimated uncollectible amounts. Because property taxes and special assessments are considered liens on property, no estimated uncollectible amounts are established. Estimated uncollectible amounts for trade receivables are $180,458.

Allowance for Uncollectable consists of the estimated amounts of customer accounts, notes and contracts that will never be collected.

Note Receivables consist of short and long-term customer trade obligations related to lease payments and right-of-way acquisitions.

3. Amounts Due To and From Other Governments
These accounts include amounts due to or from other governments for grants, entitlements and temporary loans, taxes and charges for services.

4. Inventories
Reported inventory is rail material purchased for the West Vancouver Freight Access Project and general rail system maintenance and environmental mitigation bank credits. Rail material inventory is valued at cost and will be used for rail system maintenance and phased rail construction based on engineering design and part specification over the next several years. Environmental mitigation bank credits will be used in future land developments.

The port maintains a small inventory of office supplies and maintenance parts. Parts and supplies are expensed as purchased and no inventory of these items is maintained.

Restricted Assets and Liabilities
These accounts contain resources for construction, debt service and in accordance with certain agreements or policies. The current portion of related liabilities is shows as *Payables from Current Restricted Assets*. The restricted assets are composed of the following:

Parcel 3 Account	$ 750,000
Deferred Compensation 457(f) Plans	14,455
Customer Deposits	570,284
R&R Fund	106,018
FSA	6,144
	$ 1,446,901

Only customer deposits are shown with a related liability.

5. Compensated Absences
In accordance with GASB Statement No. 16, *Accounting for Compensated Absences,* the port accrues a liability for compensated absences.

As of January 1, 2008, the port implemented a paid time off (PTO) policy for eligible administrative and union employees. The PTO policy takes the place of accounting for sick and vacation leave separately. PTO is accrued monthly based on years of service. PTO can be accrued to a maximum of 600 hours. Employees will receive remuneration upon resignation, separation or retirement for all PTO hours accumulated at their current rate of pay.

6. Unearned Revenues
This account includes amounts recognized as receivables (assets) but not revenues because the revenue recognition criteria have not been met.

7. Deferred Compensation Plans
The port offers a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all port employees, permits them to defer a portion of their salary until future years. The plan is fully funded and held in an outside trust.

The port has established a plan for non-represented employees in accordance with Internal Revenue Code Section 401(a). The port contributes to each eligible employee's 401(a) account based on tenure. A minimum contribution of $500 up to a maximum of $1,100 will be made annually. In addition, the port matches employee 457 plan deferrals dollar for dollar to a fixed maximum of $2,200 based on length of service.

A 457(f) Nonqualified Executive Retirement Plan and a 401(a) Supplemental Employer Contribution Savings Plan is provided to key employees. The Board of Commissioners has discretionary authority to make determinations as to eligibility and benefits under the plan. The participants' accrued benefits shall be fully vested providing they remain in continuous service for the term of the agreement or until they leave under a qualifying event. If participants terminate under a non-qualifying event they forfeit all accrued benefits.

8. Capital Assets and Depreciation (See Note 4)

9. Long-term Debt (See Note 9)

10. Deferred Inflows and Outflows of Resources
The port reports a separate section for deferred outflows of resources. This represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources until then. The port classified deferred charges on refunding resulting from the difference in the carrying value of refunded debt and its reacquisition price amortized over the shorter of the life of the refunded or refunding debt as deferred outflows of resources.

NOTE 2 – DEPOSITS AND INVESTMENTS

Treasury Function

On July 9, 2003, the port Commission passed resolution 6-03, appointing its own port treasurer. The treasurer maintains the accounts of the port. The port invests its surplus cash according to a policy adopted by the commission in Resolution 8-03 that uses three criteria to determine what investments are appropriate. The three criteria, in order of importance, are: safety of principal, liquidity of the investment, and overall return on investment.

The port has also established direct banking services with Key Bank and short-term cash management through the Washington State Local Government Investment Pool (LGIP). The LGIP is similar to a money market fund recognized by the Securities and Exchange Commission. The LGIP investments are limited to high quality obligations with limited maximum and average maturities and are valued at cost.

As required by state law, all investments of port funds are obligations of the U.S. Government, U.S. agency issues, obligations of the State of Washington, general obligations of Washington State municipalities, or certificates of deposit with Washington State banks and savings and loan institutions.
The port maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. Deposits in excess of federal depository insurance coverage are covered by the Public Deposit Protection Commission of the State of Washington. The port has not experienced any losses in such accounts.

Investments

All investments are stated at fair value. As of December 31, 2014, the ports had the following investments and are shown on the financial statements as cash and cash equivalents in accordance with its policy.

		Investment Maturities (in Years)		% of Total
Investment Type	Fair Value	Less than 1	1-5	Portfolio
Local Government Investment Pool	$ 10,000,976	$ 10,000,976	$ -	99.86%
D.A. Davidson - 457(f) Plan	14,455	$ 14,455	$ -	0.14%
	$ 10,015,431	$ 10,015,431	$ -	100.00%

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Washington State Local Government investment Pool is an unrated 2a-7 like pool, as defined by GASB 31.

Custodial credit risk is the risk, that in event of a failure of the counterparty to an investment transaction, the port would not be able to recover the value of the investment or collateral securities. The port's investment policy requires all security transactions are delivered against payment and held in a custodial safekeeping account.

NOTE 3 – PROPERTY TAXES

The county treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities.

Property Tax Calendar	
January 1	Taxes are levied and become an enforceable lien against properties.
February 14	Tax bills are mailed
April 30	First of two equal installment payments is due
May 31	Assessed value of property established for next year's levy at 100% of market value
October 31	Second installment is due

Property taxes are recorded as a receivable and revenue when levied. Property tax collected in advance of the fiscal year to which it applies is recorded as a deferred inflow and recognized as revenue of the period to which it applies. No allowance for uncollectible taxes is established because delinquent taxes are considered fully collectible. Prior year tax levies were recorded using the same principal, and delinquent taxes are evaluated annually.

The port may levy up to $0.45 per $1,000 of assessed valuation for general governmental services. The Washington State Constitution and Washington State Law, RCW 84.55.010, limit the rate. The port may also levy taxes at a lower rate.

The port's regular levy for 2014 was $0.172241 per $1,000 on an assessed valuation of $24,986,644,006 or a total regular levy of $4,303,725. The port also levied an additional $0.227447 per $1,000 for the repayment of general obligation bonds for a total additional levy of $5,683,133.

NOTE 4 –CAPITAL ASSETS

A. Major expenses (defined by the port as those in excess of $5,000) for capital assets, including capital leases and major repairs that increase useful lives, are capitalized. Maintenance, repairs, and minor renewals are accounted for as expenses when incurred. All capital assets are valued at historical cost (or estimated historical cost, where historical cost is not known/or estimated market value for donated assets).

The port has acquired certain assets with funding provided by federal financial assistance programs. Depending on the terms of the agreements involved, the federal government could retain an equity interest in these assets. However, the port has sufficient legal interest to accomplish the purposes for which the assets were acquired, and has included such assets within the applicable account.

Interest on funds used during construction, less interest earned on related interest-bearing investments if the asset is financed with the proceeds from externally restricted tax-exempt proceeds, is capitalized as part of the cost of the asset. This process is intended to remove the cost of financing construction activity from the comparative statements of revenues, expenses and changes in net assets, and to treat such cost in the same manner as construction labor and material costs. The port had no capitalized interest in 2014.

Depreciation expense is charged to operations to allocate the cost of capital assets over their estimated useful lives, using the straight-line method. Buildings and improvements are assigned lives of 5 to 50 years; equipment 3 to 10 years; and furniture and fixtures 3 to 5 years.

In accordance with generally accepted accounting principles for regulated businesses, the Port has a deferred intangible asset of $14,163 as of December 31, 2014. The initial cost of $29,072 in 2004 was for an easement for a disposal site for the Columbia River Channel Improvement Project. The cost is amortized on the straight line method over 20 years.

Capital assets activity for the year ended December 31, 2014 was as follows:

	Beginning Balance 1/1/2014	Increases	Decreases	Ending Balance 12/31/2014
Capital assets, not being depreciated:				
Land	89,335,685	-	-	89,335,685
Construction in progress	106,881,240	28,805,662	41,415,225	94,271,677
Total capital assets, not being depreciated	**$196,216,925**	**$28,805,662**	**$41,415,225**	**$183,607,362**
Capital assets, being depreciated:				
Buildings	38,540,808	1,039,321	-	39,580,129
Improvements other than buildings	189,660,791	39,318,394	-	228,979,185
Machinery and equipment	20,958,805	1,510,274	-	22,469,079
Intangible	15,654	-	1,491	14,163
Total capital assets being depreciated	**$249,176,058**	**$41,867,989**	**$1,491**	**$291,042,556**
Less accumulated depreciation for:				
Buildings	29,380,559	865,936	-	30,246,495
Improvements other than buildings	74,717,835	6,920,368	-	81,638,203
Machinery and equipment	10,208,430	1,458,309	-	11,666,739
Total accumulated depreciation	**$114,306,824**	**$9,244,613**	**$0**	**$123,551,437**
Total net capital assets	**$331,086,159**	**$61,429,038**	**$41,416,716**	**$351,098,481**

NOTE 5 - Construction and Other Significant Commitments

The port has active construction projects as of December 31, 2014. At year-end the port's commitments with contractors are as follows:

Project	Spent to Date	Remaining Commitment
WVFA Project 16 - Schedule Two Rail Access	5,291,632	5,557,694
WVFA Schedule 1 Rail - Phase C	-	1,639,402
Waterfront Utility Improvements	542,431	356,684
POV Trail Segments 1A & B	-	328,389
T4/T5 ELF Laydown/Subaru Relocation	-	153,890
Subaru Track Relocation	-	10,944,493
Total	**5,834,063**	**18,980,552**

NOTE 6 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

There have been no material violations of finance-related legal or contractual provisions.

NOTE 7 – PENSION PLANS

Substantially all port full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. The Department of Retirement Systems (DRS), 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, P.O. Box 48380, Olympia, WA 98504-8380; or it may be downloaded from the DRS website at www.drs.wa.gov.

Public Employees' Retirement System (PERS) Plans 1, 2, and 3

Plan Description

The Legislature established PERS in 1947. Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior courts; employees of legislative committees; employees of district and municipal courts; and employees of local governments. Membership also includes higher education employees not participating in higher education retirement programs. Approximately 49 percent of PERS salaries are accounted for by state employment. PERS retirement benefit provisions are established in Chapters 41.34 and 41.40 RCW and may be amended only by the State Legislature.

PERS is a cost-sharing multiple-employer retirement system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a defined benefit plan with a defined contribution component.

PERS members who joined the system by September 30, 1977 are Plan 1 members. Those who joined on or after October 1, 1977 and by either, February 28, 2002 for state and higher education employees, or August 31, 2002 for local government employees, are Plan 2 members unless they exercised an option to transfer their membership to Plan 3. PERS members joining the system on or after March 1, 2002 for state and higher education employees, or September 1, 2002 for local government employees have the irrevocable option of choosing membership in either PERS Plan 2 or Plan 3. The option must be exercised within 90 days of employment. Employees who fail to choose within 90 days default to Plan 3.

PERS is comprised of and reported as three separate plans for accounting purposes: Plan 1, Plan 2/3, and Plan 3. Plan 1 accounts for the defined benefits of Plan 1 members. Plan 2/3 accounts for the defined benefits of Plan 2 members, and the defined benefit portion of benefits for Plan 3 members. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members. Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of this Plan 2/3 may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries, as defined by the terms of the plan. Therefore, Plan 2/3 is considered to be a single plan for accounting purposes.

PERS Plan 1 and Plan 2 retirement benefits are financed from a combination of investment earnings and employer and employee contributions. Employee contributions to the PERS Plan 1 and Plan 2 defined benefit plans accrue interest at a rate specified by the Director of DRS. During DRS' Fiscal Year 2013, the rate was five and one-half percent compounded quarterly. Members in PERS Plan 1 and Plan 2 can elect to withdraw total employee contributions and interest thereon upon separation from PERS-covered employment.

PERS Plan 1 members are vested after the completion of five years of eligible service.

PERS Plan 1 members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with 25 years of service, or at age 60 with at least 5 years of service. Plan 1 members retiring from inactive status prior to the age of 65 may receive actuarially reduced benefits.

The monthly benefit is 2 percent of the average final compensation (AFC) per year of service, but the benefit may not exceed 60 percent of the AFC. The AFC is the monthly average of the 24 consecutive highest-paid service credit months.

PERS Plan 1 retirement benefits are actuarially reduced to reflect the choice, if made, of a survivor option.

Plan 1 members may elect to receive an optional COLA that provides an automatic annual adjustment based on the Consumer Price Index. The adjustment is capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 1 provides duty and non-duty disability benefits. Duty disability retirement benefits for disablement prior to the age of 60 consist of a temporary life annuity. The benefit amount is $350 a month, or two-thirds of the monthly AFC, whichever is less. The benefit is reduced by any workers' compensation benefit and is payable as long as the member remains disabled or until the member attains the age of 60, at which time the benefit is converted to the member's service retirement amount.

A member with five years of covered employment is eligible for non-duty disability retirement. Prior to the age of 55, the benefit amount is 2 percent of the AFC for each year of service reduced by 2 percent for each year that the member's age is less than 55. The total benefit is limited to 60 percent of the AFC and is actuarially reduced to reflect the choice of a survivor option. Plan 1 members may elect to receive an optional COLA amount (based on the Consumer Price Index), capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members are eligible for normal retirement at the age of 65 with five years of service. The monthly benefit is 2 percent of the AFC per year of service. The AFC is the monthly average of the 60 consecutive highest paid service months. There is no cap on years of service credit; and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at 3 percent annually.

PERS Plan 2 members who have at least 20 years of service credit, and are 55 years of age or older, are eligible for early retirement with a reduced benefit. The benefit is reduced by an early retirement factor (ERF) that varies according to age, for each year before age 65.

PERS Plan 2 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions, if hired prior to May 1, 2013:

- With a benefit that is reduced by 3 percent for each year before age 65; or

- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

PERS Plan 2 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of 5 percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service.

PERS Plan 2 retirement benefits are actuarially reduced to reflect the choice, if made, of a survivor option.

PERS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component and member contributions finance a defined contribution component. As established by Chapter 41.34 RCW, employee contribution rates to the defined contribution component range from 5 percent to 15 percent of salaries, based on member choice. Members who do not choose a contribution rate default to a 5 percent rate. There are currently no requirements for employer contributions to the defined contribution component of PERS Plan 3.

PERS Plan 3 defined contribution retirement benefits are dependent upon the results of investment activities. Members may elect to self-direct the investment of their contributions. Any expenses incurred in conjunction with self-directed investments are paid by members. Absent a member's self-direction, PERS Plan 3 contributions are invested in the Retirement Strategy Fund that assumes the member will retire at age 65.

For DRS' Fiscal Year 2013, PERS Plan 3 employee contributions were $99.0 million, and plan refunds paid out were $69.4 million.

The defined benefit portion of PERS Plan 3 provides members a monthly benefit that is 1 percent of the AFC per year of service. The AFC is the monthly average of the 60 consecutive highest-paid service months. There is no cap on years of service credit, and Plan 3 provides the same cost-of-living allowance as Plan 2.

Effective June 7, 2006, PERS Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service, if twelve months of that service are earned after age 44; or after five service credit years earned in PERS Plan 2 by June 1, 2003. Plan 3 members are immediately vested in the defined contribution portion of their plan.

Vested Plan 3 members are eligible for normal retirement at age 65, or they may retire early with the following conditions and benefits:

• If they have at least ten service credit years and are 55 years old, the benefit is reduced by an ERF that varies with age, for each year before age 65.

• If they have 30 service credit years and are at least 55 years old, and were hired before May 1, 2013, they have the choice of a benefit that is reduced by 3 percent for each year before age 65; or a benefit with a smaller (or no) reduction factor (depending on age) that imposes stricter return-to-work rules.

• If they have 30 service credit years, are at least 55 years old, and were hired after May 1, 2013, they have the option to retire early by accepting a reduction of 5 percent for each year before age 65.

PERS Plan 3 benefits are actuarially reduced to reflect the choice, if made, of a survivor option.

PERS Plan 2 and Plan 3 provide disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 monthly benefit amount is 2 percent of the AFC per year of service. For Plan 3, the monthly benefit amount is 1 percent of the AFC per year of service. These disability benefit amounts are actuarially reduced for each year that the member's age is less than 65, and to reflect the choice of a survivor option. There is no cap on years of service credit, and a cost-of-living allowance is granted (based on the Consumer Price Index) capped at 3 percent annually.

PERS members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors.

A one-time duty-related death benefit is provided to the beneficiary or the estate of a PERS member who dies as a result of injuries sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally and proximately out of the member's covered employment, if found eligible by the Department of Labor and Industries.

There are 1,176 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2013:

Retirees and Beneficiaries Receiving Benefits	85,328
Terminated Plan Members Entitled to but not yet Receiving Benefits	31,047
Active Plan Members Vested	150,706
Active Plan Members Nonvested	101,191
Total	**368,272**

Funding Policy

Each biennium, the state Pension Funding Council adopts PERS Plan 1 employer contribution rates, PERS Plan 2 employer and employee contribution rates, and PERS Plan 3 employer contribution rates. Employee contribution rates for Plan 1 are established by statute at 6 percent for state agencies and local government unit employees, and at 7.5 percent for state government elected officials. The employer and employee contribution rates for Plan 2 and the employer contribution rate for Plan 3 are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. Under PERS Plan 3, employer contributions finance the defined benefit portion of the plan and member contributions finance the defined contribution portion. The Plan 3 employee contribution rates range from 5 percent to 15 percent.

As a result of the implementation of the Judicial Benefit Multiplier Program in January 2007, a second tier of employer and employee rates was developed to fund, along with investment earnings, the increased retirement benefits of those justices and judges that participate in the program.

The methods used to determine the contribution requirements are established under state statute in accordance with Chapters 41.40 and 41.45 RCW.

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2014, were as follows:

Members Not Participating in JBM:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer*	9.21%**	9.21%**	9.21%***
Employee	6.00%****	4.92%****	*****

* The employer rates include the employer administrative expense fee currently set at 0.18%.
** The employer rate for state elected officials is 13.73% for Plan 1 and 9.21% for Plan 2 and Plan 3.
*** Plan 3 defined benefit portion only.
**** The employee rate for state elected officials is 7.50% for Plan 1 and 4.92% for Plan 2.
***** Variable from 5.0% minimum to 15.0% maximum based on rate selected by the PERS 3 member.

Both port and the employees made the required contributions. The port's required contributions for the years ended December 31 were as follows:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
2014	$9,349	$444,527	$77,054
2013	$9,350	$352,606	$66,293
2012	$7,981	$284,654	$61,799

NOTE 8 – RISK MANAGEMENT

The port is exposed to various risks of loss related to torts; damage to, theft of and destruction of assets or cargo; natural disasters; and employee injuries. To limit exposure, the port purchases property, liability and related insurance coverage annually through a commercial insurance broker which provides coverage against most normal hazards. In comparison to prior years, there were no significant changes in the type and coverage of insurance policies purchased by the port in 2014. Settlement claims have not exceeded commercial insurance coverage in any of the past three years.

The port participates in the State of Washington Labor and Industries workman's compensation program. However, management has elected to become self-insured through the Washington State Employment Security Department on a reimbursement basis. Unemployment claims are processed by the Washington State Employment Security Department. No reserve for self-insurance has been established as the potential liability is not considered to be material to the financial statements.

NOTE 9 – LONG-TERM DEBT

Long-Term Debt

The port issues general obligation bonds and special revenue bonds to finance the purchase and construction of capital assets. Unamortized debt issue costs are recorded as deferred charges and bonds are displayed net of premium, discount or deferred amount on refunding. Annual interest expense is decreased by amortization of debt premium and increased by the amortization of debt issue costs, discounts, and deferred amounts on refunding. The port is also liable for a right-of-way settlement agreement for the West Vancouver Freight Access Project.

A. General Obligation Bonds

The general obligation bonds currently outstanding are as follows:

Obligation	Original Issue	Interest Rate	Maturity	Balance 12/31/14
2009 Series A	15,000,000	3.0-5.0%	2028	12,790,000
2009 Series B	7,335,000	3.0-5.0%	2018	2,680,000
2011	5,600,000	2.0-4.0%	2021	4,085,000
2012 Seriers A	5,905,000	2.0-4.0%	2022	5,350,000
2012 Seriers B	29,745,000	0.38-3.614%	2028	29,010,000
	Total GO Bonds before current portion			$ 53,915,000
	Current portion			3,780,000
		Discount		(98,357)
		Premium		1,545,909
	Deferred amount on refunding			(2,466,563)
	Total long-term GO bonds, net			$ 56,675,989

The annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending December 31	Principal	Interest
2015	3,780,000	1,926,677
2016	3,925,000	1,787,820
2017	4,075,000	1,641,665
2018	4,240,000	1,474,941
2019	4,420,000	1,287,484
2020-2024	20,200,000	4,422,978
2025-2028	13,275,000	1,397,938
Total	$ 53,915,000	$13,939,503

B. Special Revenue Bonds

Port Resolution 9-2009 provided for the issuance of refunding revenue bonds of the port in the principal amount of $25,000,000. A lease agreement provides for unconditional payment of rent equal to the debt service of the special revenue bonds. The bonds are not general obligations of the port, are payable solely from the pledged revenues of the lease and do not constitute a lien on the unpledged revenues of the port. The special revenue bonds are supported by direct payment of irrevocable bank letters of credit.

The outstanding special revenue bonds are adjustable tender bonds subject to purchase on demand of the holder at a price equal to the principal plus accrued interest under certain notification requirements. Interest rates on these bonds are adjustable.

The special revenue bonds currently outstanding are as follows:

Obligation	Original Issue	Interest Rate	Maturity	Balance 12/31/14
Series 2009	$ 25,000,000	Adjustable	10/1/2029	$ 25,000,000

C. Notes Payable

1. The port is authorized and empowered under RCW 53.08.010 to acquire all lands, property, property rights, leases and easements necessary to carry out the West Vancouver Freight Access Project. The port and Great Western Malting Company (GWM) negotiated a comprehensive settlement of $32,460,000 that allows for the port to move forward with right of way acquisition within and over the property leased by GWM. Terms of the settlement are as set forth in the *Fourth and Fifth Amendments to Lease* with annual installments to be paid until March 31, 2015.

Date	Obligation
3/31/2015	4,086,668
Total	$ 4,086,668

2. The State of Washington, Department of Transportation is authorized and empowered under RCW 47.76A to provide financial assistance to cities, counties, ports and railroads for the purposes of acquiring, rebuilding, rehabilitating, or improving rail lines necessary to maintain essential rail services. The Port and the State of Washington negotiated a loan to a not to exceed amount of $250,000 to construct a rail spur consisting of 542 track feet of rail, two #9 turnouts, sub-ballast, and other materials necessary to provide rail service to the Farwest Steel Facility. Total expenditures related to this project are $103,770.

Date	Obligation
7/1/2015	10,377
7/1/2016	10,377
7/1/2017	10,377
7/1/2018	10,377
7/1/2019	10,377
7/1/2020	10,377
7/1/2021	10,377
7/1/2022	10,377
Total	$ 83,016

3. The port is authorized and empowered under RCW 53.08.010 to acquire all lands, property, property rights, leases and easements necessary to carry out the West Vancouver Freight Access Project. The port and Lafarge North America, Inc. negotiated a comprehensive settlement of $516,000 that allows for the port to move forward with right of way acquisition within and over the property owned by Lafarge North America. Terms of the settlement are as set forth in the *Purchase and Sale Agreement* with one final installment payment to be paid on December 31, 2018. Prior to the Maturity Date of the Promissory Note, Lafarge has the right to request the port to complete certain work benefitting Lafarge. The costs and expenses incurred by the port in completing a project will reduce the principal balance of the Promissory Note. During the year ending December 31, 2014, the port completed work and subsequently reduced the promissory note in the amount of $34,694.

Date	Obligation
12/31/2015	-
12/31/2016	-
12/31/2017	-
12/31/2018	481,306
Total	$ 481,306

D. Changes in Long-Term Liabilities

During the year ended December 31, 2014, the following changes occurred in long-term liabilities:

	Beginning Balance 1/1/2014	Additions	Reductions	Ending Balance 12/31/2014	Due within One Year
G.O. Bonds	$ 57,560,000	$ -	$ 3,645,000	53,915,000	$ 3,780,000
Discounts/premiums/refunding	(1,048,038)	29,027	-	(1,019,011)	-
Special Revenue Bonds	25,000,000	-	-	25,000,000	-
Total bonds payable	81,511,962	29,027	3,645,000	77,895,989	3,780,000
Notes Payable	8,366,727	516,000	4,231,739	4,650,988	4,097,045
Line of Credit	-	3,400,000	-	3,400,000	-
Environmental Remediation	11,002,148	-	3,027,513	7,974,635	-
Compensated Absences	942,909	33,502	-	976,411	-
Total long-term liabilities	**$ 101,823,746**	**$ 3,978,529**	**$ 10,904,252**	**$ 94,898,023**	**$ 7,877,045**

E. Line of Credit

During the year ended December 31, 2013, the Port issued a 5 year Series 2013 Taxable Revenue Bond to KeyBank National Association as registered owners and is subject to transfer restrictions. The revenue bond restricts a portion of the port's net operating revenue to secure a $50,000,000 Line of Credit. There was a balance of $3,400,000 outstanding at December 31, 2014.

The Line of Credit will bear an interest rate equal to the sum of the LIBOR Rate for that LIBOR Interest Calculation Period applicable for said advances plus 90 basis points (0.90%), 1.068% at December 31, 2013. The port agreed to pay the Series 2013 Credit Facility Provider an unused commitment fee in the amount of 35 basis points per annum (0.35%).

The port will use this line of credit as complementary financing to operating cash flows. This agreement matures on February 28, 2018.

NOTE 10 – LEASE COMMITMENTS

Operating Leases

The port is committed under various leases for the lease of several pieces of office equipment and a vehicle. Such leases are considered to be operating leases for accounting purposes. The leases expire between December 2015 and September 2018. Future minimum lease payments as follows:

Date	Obligation
2015	36,713
2016	10,731
2017	10,409
2018	5,452
	$ 63,305

Property Leases
The port leases industrial properties on a long term basis and are reported as property rentals. The following is a schedule of future minimum rental income under non-cancelable leases having an initial term in excess of one year:

2015	4,159,243
2016	3,064,079
2017	2,811,900
2018	2,635,584
2019	2,418,890
Thereafter	7,435,649
Total minimum future rents	$ 22,525,345

NOTE 11 – RESTRICTED COMPONENT OF NET POSITION

Parcel 3: The port's statement of net position reports $750,000 of restricted net assets. In an October 2003 settlement agreement with the Columbia River Alliance for Nurturing the Environment (CRANE), funds were restricted for the purpose of implementing a habitat creation program.

Deferred Compensation 457(f): The port's statement of net position reports $14,455 of restricted net assets. The port has adopted an Agreement and Plan of Deferred Compensation consistent with Section 457(f) of the Internal Revenue Code of 1986, as amended, to provide key employees of the port with additional incentive to remain in the employment of the Port.

Repair & Replacement Fund: To cover potential dock damage resulting from EVRAZ Inc, NA. Operations and use of the Terminal Storage Area, EVRAZ agrees to pay an additional $0.25 per mt, to be held by the port in a separate account, to be used by the port to pay for repairs to the Terminal Storage Area. In the event that the fund amount is insufficient to cover the costs of repairs, EVRAZ shall be responsible for any additional costs for repair as provided under the port's Terminal Use Agreement. EVRAZ's contributions will continue until $600,000 is in the fund and will resume at such time as the fund amount falls below $600,000 and continue until the amount is replenished.

NOTE 12 –POLLUTION REMEDIATION OBLIGATION

TCE: Soil and shallow ground water samples taken in 1997 during the Mill Plain extension project showed concentrations of trichloroethylene (TCE) which exceeded Department of Ecology's (Ecology) ground water and industrial soil cleanup levels. Chlorinated solvent-related contamination was subsequently discovered at the Cadet manufacturing facility located north of the former Swan site. Both Cadet and Swan formerly used chlorinated solvents, primarily trichloroethylene (TCE), to degrease metal parts which leached into the ground.

Ecology named the port as a potentially responsible party (PRP) under the Model Toxics Control Act (MTCA). In 1998 and 2001 the Port entered into agreed orders with Ecology. Under the agreed orders, the port must investigate and remediate TCE and other chlorinated solvent contamination associated with the former Swan site.

In 1999, Cadet was named as a PRP and subsequently entered into an agreed order with Ecology under the MTCA. At the same time, the port filed a contribution claim against Cadet, the corporate successor to Swan, for all costs expended by the port for the Swan cleanup. In February 2006, the port reached an agreement with Cadet to settle the lawsuit. Under this agreement, the port purchased the Cadet site and assumed full responsibility for the remedial activities contained in the agreed order between Cadet and Ecology. Effective May 1, 2008, the port and Ecology negotiated a combined agreed order (07-TC-S-DE5189) for both the Swan and Cadet sites. No significant changes to Ecology's requirement were made with this revision.

Currently, the TCE cleanup is in the final measurement benchmark established by GASB 49: "Remediation design and implementation, through and including operation and maintenance, and post remediation monitoring". At this stage, the port is required to continue to refine its estimate of its liability as additional information becomes available.

In June 2009, the port completed construction of its new Groundwater Cleanup Facility to expedite the completion of the remediation of TCE and other solvents in the groundwater. Using a process known as “air stripping,” the facility pumps contaminated water from the aquifer, and filters it through various tanks before the air stripping removes contaminants from the water and discharging the clean water.

A budget for remediation costs has been prepared by the port’s environmental engineer. This budget is the basis for estimates for the year ending December 31, 2014. There are no other responsible parties and no estimated recoveries reducing this liability as of December 31, 2014.

This estimated liability for TCE was prepared using the expected cash flow technique, which measures the liability as the sum of probability weighted amounts in a range of possible estimated amounts. This is an estimate only and potential for change exists resulting from price increases or reductions, technology or changes in applicable laws or regulations. Time assumptions for TCE tasks varying between 5 and 30 years have been assigned estimated values and probability weighted to arrive at expected costs. The estimates and assumptions will be reevaluated as material events occur. The total expected cost for TCE tasks at December 31, 2014 is $7,283,000.

<u>Other Sites:</u> This estimated environmental remediation obligation also includes long-term monitoring costs at additional sites: Fort Vancouver Plywood, Brazier, ASI and Terminal 5 (formerly the Alcoa/Evergreen sites). These sites have been in a monitoring status for many years as required by the Department of Ecology. There are no indications of additional future regulatory requirements, no other responsible parties, or potential cost recoveries. Groundwater monitoring costs have very little variability and costs are projected for the next 16 years. Total expected costs for these sites are $691,635.

The total environmental remediation obligation for all sites is disclosed on the Statement of Net Position at $7,974,635. Adjustment shown on the statement of Revenues, Expenses and Changes in Fund Net Position represents the modification to the expected cash flow estimate for changes in the remediation obligation. This is a result of annually refining the estimate of the port’s remediation obligation liability as additional information becomes available. Remediation expenses, as incurred, flow through the statement of net position as a reduction of the environmental remediation obligation.

NOTE 13 – CONTINGENCIES AND LITIGATION

The port has recorded in its financial statements all material liabilities, including an estimate for situations which are not yet resolved but where, based on available information, management believes it is probable that the port will have to make payment. In the opinion of management, the port (insurance policies and/or self-insurance reserves) are adequate to pay all known or pending claims.

As discussed in Note 9, Long-Term Debt, the port is contingently liable for repayment of refunded debt.

The port participates in a number of federal and state-assisted programs. These grants are subject to audit by the grantors or their representatives. Such audits could result in requests for reimbursement to grantor agencies for expenditures disallowed under the terms of the grants. Port management believes that such disallowances, if any, will be immaterial.

NOTE 14 – COLUMBIA RIVER CHANNEL IMPROVEMENT PROJECT

The Columbia River Channel Improvement Project is a bi-state project supported by port sponsors from the States of Oregon and Washington. Over the past decade, The Washington Ports of Kalama, Longview, and Vancouver, have cooperated with the U.S. Army Corps of Engineers and the ports of Portland and St. Helens, regarding improvements to the Columbia River Federal Navigation Channel. This has included, among other activities, a reconnaissance study, a feasibility study under the auspices of the Columbia River Improvement Project, The Dredged Material Management Plan and associated environmental impact statements for both the maintenance of the existing channel and the plans to increase the channel depth from 40 to 43 feet.

The ports entered into the Washington Ports Agreement in 1999 for the purpose of participating as non-federal sponsors for the Channel Improvement Project. The ports expanded the agreement by amendments on October 17, 2001, on February 19, 2002, on March 15, 2002, and January 30, 2004.

The Washington and Oregon ports entered into the "Intergovernmental Agreement Among Lower Columbia River Ports For Columbia River Channel Deepening And Maintenance" with the U.S. Army Corps of Engineers for the Channel Improvement Project on June 21, 2004. The Project Cooperation Agreement identifies disposal, mitigation and restoration sites needed for the Channel Improvement Project.

The State of Washington appropriated $27.7 million for the Washington sponsor's share of project costs. The Oregon—Washington Ports Agreement allocates costs of the Channel Improvement Project. All costs incurred, with the exception for port-owned beneficial use sites, will be shared 50/50 between the states. The Washington ports share of the costs is shared equally between the three Washington ports. At the completion of the Columbia River Channel Improvement Project a final accounting of the project will occur to ensure that the non-federal sponsors have equally contributed to the project, met their obligations to U.S. Army Corps of Engineers, and equalization will occur between the States of Washington and Oregon.

The deepening portion of the 103-mile navigation channel was completed in November 2010. There are three remaining disposal sites to be acquired. Disposal sites are reported as capital contributions for financial statement purposes and are carried at one-third of value by the ports of Kalama, Longview and Vancouver.

NOTE 15 – Unique and Unusual Transactions

A. Major Customer

The port had one major customer in 2014 that represented 11.39 percent of total operating revenues.

B. Columbia Gateway

The Columbia Gateway property is part of the port's Comprehensive Scheme of Harbor Improvements and Industrial Development. In 2000, the port initiated requirements under the National Environmental Policy Act (NEPA) to determine the concept, plan and design for mitigation at Columbia Gateway. Mitigation is required for impacts to wetlands, fisheries and federal and state listed wildlife species.

The Columbia River Alliance for Nurturing the Environment (CRANE) had opposed efforts by the port to proceed with the proposed development of Columbia Gateway. On October 10, 2003, the port and CRANE entered into an agreement that set aside parcels 4 and 5 for mitigation and habitat purposes. Although the port will incur future costs to implement an approved mitigation plan, costs cannot currently be reasonably estimated. The port has elected to postpone preparation of documents to fulfill requirements under NEPA and defer construction of Columbia Gateway.

C. Subsequent Event

The Port issued a 5 year Series 2013 Taxable Revenue Bond to KeyBank National Association as registered owners and is subject to transfer restrictions on February 28, 2013. The revenue bond restricts a portion of the port's net operating revenue to secure a $50,000,000 Line of Credit. There was a balance of $3,400,000 outstanding at December 31, 2014.

On March 2nd, 2015, the port withdrew and additional $7,000,000 from this credit facility. The result of this transaction brings the total amount outstanding on the line of credit to $10,400,000.

Port of Vancouver
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2014

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures: From Pass-Through Awards	Expenditures: From Direct Awards	Expenditures: Total	Note
Highway Planning and Construction Cluster							
Federal Highway Administration (fhwa), Department Of Transportation (via WSDOT)	Highway Planning and Construction	20.205	TP-1350(023)	5,030	-	5,030	2
Federal Highway Administration (fhwa), Department Of Transportation (via WSDOT)	Highway Planning and Construction	20.205	TP-1350(024)	39,160	-	39,160	2
			Total Highway Planning and Construction Cluster:	**44,190**	**-**	**44,190**	
Other Programs							
Federal Railroad Administration (fra), Department Of Transportation (via WSDOT)	ARRA-High-Speed Rail Corridors and Intercity Passenger Rail Service – Capital Assistance Grants	20.319	FR-HSR-0082-11-01-00	6,059,509	-	6,059,509	2,3
Department Of Homeland Security (via Merchants Exchange of Portland)	Port Security Grant Program	97.056	2009-PU-T9-K050-POV1	305,344	-	305,344	2
			Total Federal Awards Expended:	**6,409,043**	**-**	**6,409,043**	

The accompanying notes are an integral part of this statement.

PORT OF VANCOUVER

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2014

NOTE 1 - BASIS OF ACCOUNTING

This schedule is prepared on the same basis of accounting as the Port's financial statements. The Port uses the full-accrual basis of accounting.

NOTE 2 - PROGRAM COSTS

The amounts shown as current year expenditures represent only the federal grant portion of the program costs. Entire program costs, including the Port portion, are more than shown.

NOTE 3 - AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA) of 2009

Expenditures for these programs were funded in part by ARRA.

ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the state's Constitution and is part of the executive branch of state government. The State Auditor is elected by the citizens of Washington and serves four-year terms.

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments as well as fraud, state whistleblower and citizen hotline investigations.

The results of our work are widely distributed through a variety of reports, which are available on our website and through our free, electronic subscription service.

We take our role as partners in accountability seriously, and provide training and technical assistance to governments, and have an extensive quality assurance program.

Contact information for the State Auditor's Office	
Deputy Director for Communications	Thomas Shapley Thomas.Shapley@sao.wa.gov (360) 902-0367
Public Records requests	(360) 725-5617
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov