Washington State Auditor's Office

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Financial Statements and Federal Single Audit Report

Port of Vancouver

Clark County

For the period January 1, 2015 through December 31, 2015

Published March 31, 2016

Report No. 1016415

Washington State Auditor's Office

March 31, 2016

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 X. Kelley

TROY KELLEY

STATE AUDITOR

OLYMPIA, WA

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Port of Vancouver
Clark County
January 1, 2015 through December 31, 2015

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

Financial Statements

We issued an unmodified opinion on the fair presentation of the basic financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP)..

Internal Control Over Financial Reporting:

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

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

Federal Awards

Internal Control over Major Programs:

- *Significant Deficiencies:* We reported no deficiencies in the design or operation of internal control over major federal programs that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified 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 in accordance with 2 CFR 200.516(a) OMB.

Identification of Major Programs:

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

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 the Uniform Guidance, was $750,000.

The Port qualified as a low-risk auditee under the Uniform Guidance.

SECTION II– FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III–FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

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, 2015 through December 31, 2015

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, 2015, and the related notes to the financial statements, which collectively comprise the Port's basic financial statements, and have issued our report thereon dated March 28, 2016. As discussed in Note 15 to the financial statements, during the year ended December 31, 2015, the Port implemented Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*.

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 KELLEY

STATE AUDITOR

OLYMPIA, WA

March 28, 2016

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

Port of Vancouver
Clark County
January 1, 2015 through December 31, 2015

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) Compliance Supplement* that could have a direct and material effect on each of the Port's major federal programs for the year ended December 31, 2015. The Port's major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Port's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Port's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Port complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2015.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Troy X. Kelley

TROY KELLEY

STATE AUDITOR

OLYMPIA, WA

March 28, 2016

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Port of Vancouver
Clark County
January 1, 2015 through December 31, 2015

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, 2015, and the related notes to the financial statements, which collectively comprise the Port's basic financial statements as listed on page 16.

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, 2015, 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.

Matters of Emphasis

As discussed in Note 15 to the financial statements, in 2015, the Port adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

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 17 through 21 and pension plan information on pages 45 through 47 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 Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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 March 28, 2016 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 KELLEY

STATE AUDITOR

OLYMPIA, WA

March 28, 2016

FINANCIAL SECTION

Port of Vancouver
Clark County
January 1, 2015 through December 31, 2015

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2015

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2015
Statement of Revenues, Expenses and Changes in Net Position – 2015
Statement of Cash Flows – 2015
Notes to Financial Statements – 2015

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Proportionate Share of the Net Pension Liability – PERS 1 - 2015
Schedule of Proportionate Share of the Net Pension Liability – PERS 2/3 - 2015
Schedule of Employer Contributions – PERS 1 - 2015
Schedule of Employer Contributions – PERS 2/3 - 2015

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2015
Notes to the Schedule of Expenditures of Federal Awards – 2015

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, 2015, with selected comparative information for the year ended December 31, 2014. 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, liabilities owed at a specific point in time, and deferred inflows. 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 and deferred inflows by $297.245 million (reported as total net position). Total net position increased by $2.450 million in comparison with the prior year, primarily due to an increase in capital assets of $12.543 million, and the implementation of Governmental Accounting Standards Board (GASB) Statement 68 - Accounting and Financial Reporting for Pensions, which resulted in the recognition of a $5.353 million pension fund liability.
- Total current and restricted assets decreased by $3.108 million from 2014, 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, current liabilities decreased by $5.344 million from the prior year. The port began to utilize its low interest rate bearing line of credit in the completion of the West Vancouver Freight Access Project and other right-of-way acquisition projects, as a result, noncurrent liabilities increased by $6.857 million over the previous year.

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

NET POSITION		
	2015	2014
Assets:		
Current and restricted assets	$ 18,700,974	$ 21,809,050
Capital assets, net	363,641,075	351,098,481
Other noncurrent assets	25,002,974	25,010,479
Total Assets	$407,345,023	$397,918,010
Deferred Outflows of Resources:		
Deferred Charge on Refunding	2,255,407	2,466,563
Deferred Outflows - Pensions	915,417	-
Total Deferred Outflows of Resources	$ 3,170,824	$ 2,466,563
Liabilities:		
Current liabilities	$ 10,360,733	$ 15,705,129
Noncurrent liabilities	96,740,791	89,884,295
Net pension liabilities	5,352,520	-
Total Liabilities	$112,454,044	$105,589,424
Deferred Inflows of Resources:		
Deferred Inflows - Pensions	817,059	-
Total Deferred Outflows of Resources	$ 817,059	$ -
Net Position:		
Net Invested in capital assets	$299,570,889	$290,151,502
Restricted	1,041,572	870,473
Unrestricted	(3,367,717)	3,773,174
Total Net Position	$297,244,744	$294,795,149

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, the port's diversified commodity mix continued to produce greater revenues which enabled the port to almost match its record 2014 year with marine revenues, reaching $25.712 million. This is a change of only -2.94 percent or $780 thousand from 2014.
- The port experienced stable occupancy of its industrial leasehold facilities. Lease occupancy was 99 percent in 2015. Market rates began to increase in 2015, resulting in lease revenue of $9.029 million, an increase of more than 12% over 2014.
- Total 2015 operating revenues increased by $617 thousand (1.64 percent) over 2014 operating revenues.

Expenses:

- 2015 total operating expenses, before depreciation, increased by $2.466 million (9.13 percent) over 2014 operating expenses. This increase in expense was primarily due to the continued investment in personnel (inclusive of the implementation of GASB 68) and professional services in support of future revenue generating opportunities. Operating income, after depreciation, was -$2.201 million at

December 31, 2015 as compared to $1.305 million at 2014 yearend. As many of the port's West Vancouver Freight Access Projects are completed and placed into service, depreciation expense will begin to increase, 17.92 percent over the previous year.

Non-Operating:

- 2015 total nonoperating revenue (expenses) decreased by $9.138 million from 2014, primarily due 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 $2.285 million from 2014 to $5.420 million in 2015.

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

CHANGE IN NET POSITION		
	2015	2014
REVENUES		
Operating Revenues:		
Marine terminal operations	$ 25,711,897	$ 26,491,793
Property lease/rental operations	9,029,214	8,006,432
Facilities sales and service	2,856,879	2,433,355
Security sales and service	492,043	553,142
General and administrative	73,870	62,355
Nonoperating Revenues:		
Ad valorem tax revenues	10,042,860	9,987,366
Interest income	206,247	206,081
Federal and State Grants	5,420,011	7,704,960
Environmental remediation	177,926	2,404,145
Other nonoperating revenues	496,633	336,617
Total Revenues	$ 54,507,580	$ 58,186,246
EXPENSES		
Operating Expenses:		
Marine terminal operations	$ 12,636,435	$ 12,459,459
Facilities	6,634,460	5,563,801
Security	2,000,327	1,786,104
General and administrative	8,192,189	7,188,417
Depreciation	10,901,527	9,244,612
Nonoperating Expenses:		
Interest expense	2,232,541	2,259,773
Other nonoperating expenses	4,932,592	63,257
Total Expenses	$ 47,530,071	$ 38,565,423
Capital contribution	510,831	208,651
Change in net position	7,488,340	19,829,474
Total net postion - beginning	294,795,149	274,965,675
Change in Accounting Principle	(5,038,745)	
Total net position - ending	$297,244,744	$294,795,149

Capital Asset and Debt Administration

Capital Assets
The port's investment in total capital assets as of December 31, 2015 totaled $363.641 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 $12.543 million or 3.57 percent.

Major capital asset events during 2015 included the following:

Components of the multi-year West Vancouver Freight Access project continue through engineering and construction. The port completed the Port Access Rail Improvement project ($35.930 million), Subaru Track Relocation project ($11.595 million), Malting Drumhouse Demolition project ($7.320 million), and Terminal 4/Terminal 5 Laydown/Subaru Relocation project ($2.834 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, 2015, long-term debt outstanding totaled $96.741 million. Of this amount, $50.135 million comprises general obligation debt, $25 million represents special revenue bonds secured by a letter of credit, and $14.4 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 2016 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 continues to invest in critical infrastructure and assets, including rail, equipment and dock improvements. For the second year in a row, the Port of Vancouver delivered a record year in revenue. Operating income rose from $37.5 to $38.2 million, making 2015 the best revenue year in the Port of Vancouver's 104-year history.

- This past year was another impressive one in overall tonnage. Tonnage in 2015 was at 6.95 million metric tons, an increase from 6.6 million metric tons in 2014. 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 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. Grains exported through the port saw gains in 2015, 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 – wheat, corn and soybeans – continues to be the largest export commodity at the Port of Vancouver by volume, and grain overall saw a 6.5 percent overall increase from 2014. One factor affecting this increase is the growth of United Grain Corp.; the bulk agricultural commodity handler has continuously invested in its facility to take advantage of increased rail capacity from the port's West Vancouver Freight Access project. While corn and especially soybeans saw impressive gains in 2015, wheat exports declined slightly due to fluctuations in currency and the global economy.

- It was a great year for imports at the Port of Vancouver. Overall import volume increased by more than 12 percent in 2015. Much of the increase was fueled by major gains in steel slabs and project cargo, which require the port's unique equipment capabilities and laydown space. Tenant Subaru of America had its best year ever at the port, with more than 90,000 automobiles imported from Japan, a 10 percent increase over 2014. Subaru has been a great tenant for decades and has enjoyed steady year-over-year growth. We are happy to report that Subaru signed a lease extension in 2015, extending its partnership with the Port of Vancouver through at least 2030. The port also saw increases in two of its newer commodities: urea and steel slabs. Urea, an ingredient used as, or in, natural fertilizers, continues to see increases in volume at the port, landing at just under 114,000 metric tons in 2015. The addition of steel slabs two years ago has also increased the port's import numbers; in 2015, the port imported more than 598,000 metric tons of steel slabs – a 41 percent increase over 2014.

- Industrial occupancy at the port exceeds 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. There was a slight decrease in the amount of rail cars and vessels that came through the port in 2015. One contributing factor is the Columbia River Channel Deepening Project, completed in 2010. The project deepened the river's navigation channel to 43 feet, allowing larger ships carrying more cargo to traverse the river.

- For the fifth 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 is continuing to install bike and pedestrian trails on Lower River Road. In June 2015, state and local partners, walkers, bicyclists and port staff cut the ribbon on a new section of multiuse trail near the port's administrative offices. The port secured a Transportation Alternatives Grant for the next section of multiuse trail, which will connect the newly constructed portion with an existing trail at Farwest Steel. These projects are part of the port's overall plan to construct approximately 3.7 miles of safer 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 is in its second year of working with two local non-profit groups, Vancouver Watersheds Alliance and Friends of Trees. Under unique mitigation agreements, these non-profits plant trees on behalf of the port to help mitigate for development of port properties and improve urban tree canopy by establishing trees throughout the city of Vancouver. The port purchased 450 trees to be used towards mitigation in 2015.

2016 Budget

The port's 2016 operating revenues are forecast at $42.672 million, which is an increase over the $38.163 million 2015 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. 2016 operating expenses are forecast at $33.483 million, an increase over the actual 2015 operating expenses of $30.021 million.

The $34.282 million 2016 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
December 31, 2015

ASSETS	
Current Assets	
Cash and cash equivalents (Note 1)	$ 9,309,009
Restricted cash and cash equivalents (Note 1)	3,565,163
Total Cash and Investments	12,874,172
Other Current Assets	
Accounts receivable - trade (net)	3,667,727
Prepaid insurance	390,493
Grants receivable	53,783
Taxes receivable	216,755
Note receivable (current portion)	7,505
Inventory	1,251,793
Prepaid Benefits	127,720
Prepaid expense	111,026
Total Other Current Assets	5,826,802
Total Current Assets	18,700,974
Noncurrent Assets	
Capital Assets Not Being Depreciated (Note 4)	
Land and land rights	85,365,330
Construction in progress	66,555,305
Total Capital Assets Not Being Depreciated	151,920,635
Capital Assets Being Depreciated (Note 4)	
Buildings and structures	44,808,861
Machinery and equipment	23,570,612
Improvements	277,105,944
Intangible asset (Note 4)	33,014
Total Capital Assets Being Depreciated	345,518,431
Accumulated Depreciation	(133,797,991)
Total Net Capital Assets	363,641,075
Other Noncurrent Assets	
Minimum lease payments-revenue bonds (Note 9)	25,000,000
Note receivable	2,974
Total Other Noncurrent Assets	25,002,974
TOTAL ASSETS	**$ 407,345,023**
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Charge on Refunding (Note 9)	2,255,407
Deferred Outflows - Pensions (Note 7)	915,417
TOTAL DEFERRED OUTFLOWS OF RESOURCES	**$ 3,170,824**

See Accompanying Notes to the Financial Statements

PORT OF VANCOUVER USA
STATEMENT OF NET POSITION
December 31, 2015

LIABILITIES		
Current Liabilities		
Accounts payable	$	3,976,861
Payroll payable		617,802
Taxes payable		543,481
Retainage		624,391
Payable from restricted assets (customer deposits)		513,836
Current portion of GO Bonds (Note 9)		3,925,000
Current portion of other long-term obligations (Note 9)		10,377
Bond interest payable		148,985
Total Current Liabilities		10,360,733
Noncurrent Liabilities		
Employee leave benefits		1,036,524
Line of Credit		14,400,000
General obligation bonds - net (Note 9)		47,475,423
Revenue bond		25,000,000
Note payable		514,793
Environmental remediation (Note 12)		7,152,542
Unearned Revenue		1,161,509
Total Noncurrent Liabilities		96,740,791
Total Net Pension Liability		5,352,520
TOTAL LIABILITIES	**$**	**112,454,044**
DEFERRED INFLOWS OF RESOURCES		
Total Deferred Inflows - Pension	$	817,059
TOTAL DEFERRED INFLOWS OF RESOURCES	**$**	**817,059**
NET POSITION		
Total net investment in capital assets		299,570,889
Restricted (Note 11)		1,041,572
Unrestricted		(3,367,717)
TOTAL NET POSITION	**$**	**297,244,744**

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, 2015

OPERATING REVENUES	
Marine terminal/operations	$ 25,711,897
Property lease/rental operations	9,029,214
Facilities sales and service	2,856,879
Security sales and service	492,043
General and administrative	73,870
Total Operating Revenues	38,163,903
OPERATING EXPENSES	
Marine terminal/operations	12,636,435
Facilities	6,634,460
Security	2,000,327
General and administrative	8,192,189
Total before depreciation	29,463,411
Depreciation	10,901,527
Total Operating Expenses	40,364,938
Operating Income(Loss)	$ (2,201,035)
NONOPERATING REVENUES (EXPENSES)	
Ad valorem tax revenues	$ 10,042,860
Interest income	206,247
Federal and state grants	5,420,011
Other revenues	341,056
Repair and replacement revenue	149,577
Miscellaneous taxes	6,000
Gain(Loss) on disposal of assets	(3,927,421)
Environmental remediation	177,926
Columbia River Channel Improvement expense	(54,505)
Interest expense	(2,232,541)
Other expense	(950,666)
Total Nonoperating Revenues (Expenses)	9,178,544
Income(Loss) before other revenues, expenses, gains, loses, and transfers	6,977,509
Capital contribution	510,831
Increase (decrease) in net position	7,488,340
Net Position as of January 1	294,795,149
Change in Accounting Principle (Note 15)	(5,038,745)
Net Position as of December 31	**$ 297,244,744**

See Accompanying Notes to the Financial Statements

PORT OF VANCOUVER USA
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2015

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	$ 42,067,290
Payments to suppliers	(21,727,663)
Payments to employees	(9,496,783)
Other receipts	495,112
Other payments	(1,002,488)
Net cash provided (used) by operating activities	10,335,468
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Payments for environmental remediation	(644,166)
Net cash provided by noncapital financing activities	(644,166)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from restricted property taxes	5,721,363
Proceeds from unrestricted property taxes	4,357,315
Grants received	6,891,189
Acquisition and construction of capital assets	(26,382,519)
Principal paid on bonds	(3,780,000)
Interest paid on bonds	(1,926,677)
Proceeds from line of credit	11,000,000
Principal paid on notes	(4,125,820)
Interest paid on notes	(99,211)
Proceeds from bond administration	6,000
Net cash used for capital and related financing activities	(8,338,360)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends	14,365
Net cash provided by investing activities	14,365
Net increase (decrease) in cash and cash equivalents	1,367,307
Cash and cash equivalents and January 1	11,506,865
Cash and cash equivalents at December 31	$ 12,874,172
Reconcile operating income to net cash provided by operating activities	
Net operating income (loss)	$ (2,201,035)
Adjustments:	
Depreciation	10,901,527
Change in assets and liabilities:	
Accounts receivable	208,818
Inventory	(105,964)
Unearned revenues	708,306
Other operating receivables	2,998,716
Accounts payable	(1,966,291)
Prepaid expenses	(144,527)
Taxes payable	170,993
Accrued liabilities	272,301
Nonoperating revenues (expenses)	(507,376)
Total adjustments	1,634,976
Net cash provided by operating activities	$ 10,335,468

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

During the fiscal year, the port received the following noncash capital contributions from it's customers.

Great Western Malting Dust Track Extension	62,936
Port of Portland Skamokawa Easement	20,427
NW Packing Water Main	182,186
Subaru Building Expansion	245,283
	$ 510,831

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, 2015, the treasurer was holding $12,874,172 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 2015 was approximately $2,900,000.

   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 $207,395.

   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.

5. <u>Restricted Assets and Liabilities</u>
   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	35,977
Customer Deposits	513,836
R & R Fund	255,595
FSA	9,756
Escrow	2,000,000
	$ 3,565,163

   Only customer deposits are shown with a related liability.

6. <u>Compensated Absences</u>
   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.

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

8. <u>Deferred Compensation Plans</u>
   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.

9. <u>Capital Assets and Depreciation</u> (See Note 4)

10. <u>Long-term Debt</u> (See Note 9)

11. 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.

12. Pensions
    For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all state sponsored pension plans and additions to/deductions from those plans' fiduciary net position have been determined on the same basis as they are reported by the Washington State Department of Retirement Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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, 2015, 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	$ 8,881,426	$ 8,881,426	$ -	99.60%
D.A. Davidson - 457(f) Plan	35,977	$ 35,977	$ -	0.40%
	$ 8,917,403	$ 8,917,403	$ -	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 2015 was $0.154619 per $1,000 on an assessed valuation of $27,682,045,907 or a total regular levy of $4,280,181. The port also levied an additional $0.20615 per $1,000 for the repayment of general obligation bonds for a total additional levy of $5,706,677. For 2015, the port collected 98.85% of ad valorem taxes levied.

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 2015.

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 $33,014 as of December 31, 2015. The initial cost of $29,072 in

2004 and $20,427 in 2015 were for easement for two disposal sites for the Columbia River Channel Improvement Project. The costs are amortized on the straight line method over 20 years.

Capital assets activity for the year ended December 31, 2015 was as follows:

	Beginning Balance 1/1/2015	Increases	Decreases	Ending Balance 12/31/2015
Capital assets, not being depreciated:				
Land	89,335,685	-	3,970,355	85,365,330
Construction in progress	94,271,677	7,191,314	34,907,686	66,555,305
Total capital assets, not being depreciated	**$183,607,362**	**$7,191,314**	**$38,878,041**	**$151,920,635**
Capital assets, being depreciated:				
Buildings	39,580,129	5,228,732	-	44,808,861
Improvements other than buildings	228,979,185	51,249,950	3,123,191	277,105,944
Machinery and equipment	22,469,079	1,309,747	208,214	23,570,612
Intangible	14,163	20,427	1,576	33,014
Total capital assets being depreciated	**$291,042,556**	**$57,808,856**	**$3,332,981**	**$345,518,431**
Less accumulated depreciation for:				
Buildings	30,246,495	955,004		31,201,499
Improvements other than buildings	81,638,203	8,278,155	446,759	89,469,599
Machinery and equipment	11,666,739	1,668,368	208,214	13,126,893
Total accumulated depreciation	**$123,551,437**	**$10,901,527**	**$654,973**	**$133,797,991**
Total net capital assets	**$351,098,481**	**$54,098,643**	**$41,556,049**	**$363,641,075**

NOTE 5 - Construction and Other Significant Commitments

The port has active construction projects as of December 31, 2015. At year-end the port's commitments with contractors are as follows:

Project	Spent to Date	Remaining Commitment
Terminal 4 Storm Line Cleaning & Video Project	-	140,000
Gear Locker Relocation	-	327,570
Terminal 1 Abatement Project	-	153,272
Total	**-**	**620,842**

NOTE 6 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

NOTE 7 – PENSION PLANS

The following table represents the aggregate pension amounts for all plans subject to the requirements of the GASB Statement 68, Accounting and Financial Reporting for Pensions for the year 2015:

Aggregate Pension Amounts - All Plans	
Pension liabilities	5,352,520
Pension assets	-
Deferred outflows of resources	(915,417)
Deferred inflows of resources	(817,059)
Pension expense/expenditures	881,282

State Sponsored 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)
Plan Description
PERS members include elected officials; state employees; employees of the Supreme, Appeals and Superior Courts; employees of the legislature; employees of district and municipal courts; employees of local governments; and higher education employees not participating in higher education retirement programs. PERS is comprised of three separate pension plans for membership purposes. PERS plans 1 and 2 are defined benefit plans, and PERS plan 3 is a defined benefit plan with a defined contribution component.

PERS Plan 1 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service. Members retiring from active status prior to the age of 65 may receive actuarially reduced benefits. Retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PERS 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

Contributions

The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2015 were as follows:

PERS Plan 1		
Actual Contribution Rates:	**Employer**	**Employee***
January through June 2015	9.21%	6.00%
July through December 2015	11.18%	6.00%

The port actual contributions to the plan were $502,304 for the year ended December 31, 2015.

PERS Plan 2/3 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service for Plan 2 and 1 percent of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 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 benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

- With a benefit that is reduced by three 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 2/3 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of five 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 credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty related death benefit, if found eligible by the Department of Labor and Industries. PERS 2 members are vested after completing five years of eligible service. 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 12 months of that service are earned after age 44.

PERS Plan 3 defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. PERS Plan 3 members choose their contribution rate upon joining membership and have a chance to change rates upon changing employers. As established by statute, Plan 3 required defined contribution rates are set at a minimum of 5 percent and escalate to 15 percent with a choice of six options. Employers do not contribute to the defined contribution benefits. PERS Plan 3 members are immediately vested in the defined contribution portion of their plan.

<u>Contributions</u>

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2015 were as follows:

PERS Plan 2/3		
Actual Contribution Rates:	**Employer 2/3**	**Employee 2***
January through June 2015	9.21%	4.92%
July through December 2015	11.18%	6.12%
Employee PERS Plan 3		varies

The port actual contributions to the plan were $378,978 for the year ended December 31, 2015.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2015 with a valuation date of June 30, 2014. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2007-2012 Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2014 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2015. Plan liabilities were rolled forward from June 30, 2014, to June 30, 2015, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 3% total economic inflation; 3.75% salary inflation

- **Salary increases**: In addition to the base 3.75% salary inflation assumption, salaries are also expected to grow by promotions and longevity.

- **Investment rate of return:** 7.5%

Mortality rates were based on the RP-2000 report's Combined Healthy Table and Combined Disabled Table, published by the Society of Actuaries. The OSA applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

There were minor changes in methods and assumptions since the last valuation.

- The OSA updated demographic assumptions, consistent with the changes from the *2007-2012 Experience Study Report*, used when valuing the PERS 1 and TERS 1 Basic Minimum COLA.

- The OSA corrected how valuation software calculates a member's entry age under the entry age normal actuarial cost method. Previously, the funding age was rounded, resulting in an entry age one year higher in some cases.

- For purposes of calculating the Plan 2/3 Entry Age Normal Cost contribution rates, the OSA now uses the current blend of Plan 2 and Plan 3 salaries rather than using a long-term membership assumption of two-thirds Plan 2 members and one-third Plan 3 members.

- The OSA changed the way it applies salary limits, as described in the *2007-2012 Experience Study Report*.

Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.5 percent.

To determine that rate, an asset sufficiency test included an assumed 7.7 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. (All plans use 7.7 percent except LEOFF 2, which has assumed 7.5 percent). Consistent with the long-term expected rate of return, a 7.5 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue being made at contractually required rates (including PERS 2/3, PSERS 2, SERS 2/3, and TRS 2/3 employers, whose rates include a component for the PERS 1, and TRS 1 plan liabilities). Based on these assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.5 percent was used to determine the total liability.

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.5 percent was determined using a building-block-method. The Washington State Investment Board (WSIB) used a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, including inflation) to develop each major asset class. Those expected returns make up one component of WSIB's capital market assumptions. The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns at various future times. The long-term expected rate of return of 7.5 percent approximately equals the median of the simulated investment returns over a 50-year time horizon.

Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2015, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	1.70%
Tangible Assets	5%	4.40%
Real Estate	15%	5.80%
Global Equity	37%	6.60%
Private Equity	23%	9.60%
	100%	

Sensitivity of NPL

The table below presents the port's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the port's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.5 percent) or 1-percentage point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
PERS 1	$ 3,509,584	$ 2,882,609	$ 2,343,468
PERS 2/3	$ 7,222,149	$ 2,469,911	$ (1,168,699)

Pension Plan Fiduciary Net Position

Detailed information about the State's pension plans' fiduciary net position is available in the separately issued DRS financial report.

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

At June 30, 2015, the port reported a total pension liability of $5,352,520 for its proportionate share of the net pension liabilities as follows:

	Liability
PERS 1	$ 2,882,609
PERS 2/3	$ 2,469,911

At June 30, the port's proportionate share of the collective net pension liabilities was as follows:

	Proportionate Share 6/30/14	Proportionate Share 6/30/15	Change in Proportion
PERS 1	0.0493%	0.0551%	0.0058%
PERS 2/3	0.0605%	0.0691%	0.0087%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported by the DRS in the *Schedules of Employer and Nonemployer Allocations* for all plans except LEOFF 1.

The collective net pension liability (asset) was measured as of June 30, 2015, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2014, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For the year ended December 31, 2015, the port recognized pension expense as follows:

	Pension Expense
PERS 1	$ 502,304
PERS 2/3	$ 378,978

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2015, the port reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS 1	Deferred Outflows or Resources	Deferred Inflows of Resources
Differences between expected and actual experience	-	-
Net difference between projected and actual investment earnings on pension plan		157,710
Changes of Assumptions	-	-
Changes in proportion and differences between contributions and proportionate	-	-
Contributions subsequent to the measurement date	160,339	-
Total	160,339	157,710

PERS 2/3	Deferred Outflows or Resources	Deferred Inflows of Resources
Differences between expected and actual experience	262,552	-
Net difference between projected and actual investment earnings on pension plan	-	659,349
Changes of Assumptions	3,980	-
Changes in proportion and differences between contributions and proportionate	279,131	
Contributions subsequent to the measurement date	209,415	
Total	755,078	659,349

Deferred outflows of resources related to pensions resulting from the port's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	PERS 1
2016	$ (61,123)
2017	$ (61,123)
2018	$ (61,123)
2019	$ 25,659
2020	$ -
Thereafter	$ -

Year ended December 31:	PERS 2/3
2016	$ (96,919)
2017	$ (96,919)
2018	$ (96,919)
2019	$ 177,067
2020	$ -
Thereafter	$ -

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 2015. 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 12/31/15
2009 Series A	15,000,000	3.0-5.0%	2028	11,115,000
2009 Series B	7,335,000	3.0-5.0%	2018	2,060,000
2011	5,600,000	2.0-4.0%	2021	3,560,000
2012 Seriers A	5,905,000	2.0-4.0%	2022	4,755,000
2012 Seriers B	29,745,000	0.38-3.614%	2028	28,645,000
	Total GO Bonds before current portion			$ 50,135,000
	Current portion			3,925,000
		Discount		(91,289)
		Premium		1,356,713
	Deferred amount on refunding			(2,255,407)
	Total long-term GO bonds, net			$ 53,070,017

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

Year Ending December 31	Principal	Interest
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	4,555,000	1,158,507
2021-2025	18,790,000	3,608,161
2026-2028	10,130,000	758,524
Total	$ 50,135,000	$11,717,102

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 12/31/15
Series 2009	$ 25,000,000	Adjustable	10/1/2029	$ 25,000,000

C. Notes Payable

1. 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
7/1/2016	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	$ 72,639

2. 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, 2015, the port completed work and subsequently reduced the promissory note in the amount of $63,469.

Date	Obligation
12/31/2016	-
12/31/2017	-
12/31/2018	452,531
Total	$ 452,531

D. Changes in Long-Term Liabilities

During the year ended December 31, 2015, the following changes occurred in long-term liabilities:

	Beginning Balance 1/1/2015	Additions	Reductions	Ending Balance 12/31/2015	Due within One Year
G.O. Bonds	$ 53,915,000	$ -	$ 3,780,000	50,135,000	$ 3,925,000
Discounts/premiums/refunding	(1,019,011)	-	-	(1,019,011)	-
Special Revenue Bonds	25,000,000	-	-	25,000,000	-
Total bonds payable	77,895,989	-	3,780,000	74,115,989	3,925,000
Notes Payable	4,650,988	-	4,125,820	525,168	10,377
Line of Credit	3,400,000	11,000,000	-	14,400,000	-
Environmental Remediation	7,974,635	-	822,093	7,152,542	-
Compensated Absences	976,411	60,114	-	1,036,525	-
Pension Obligations	3,705,444	1,647,076	-	5,352,520	-
Total long-term liabilities	**$ 98,603,467**	**$ 12,707,190**	**$ 8,727,913**	**$ 102,582,744**	**$ 3,935,377**

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 $14,400,000 outstanding at December 31, 2015.

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%), 1.15% at December 31, 2015. 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 December 2020. Future minimum lease payments as follows:

Year	Obligation
2016	35,301
2017	34,979
2018	30,243
2019	26,668
2020	26,668
	$ 153,860

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:

Year	Forecast
2016	7,310,458
2017	6,395,421
2018	6,046,024
2019	5,203,757
2020	4,277,256
Thereafter	18,934,508
Total minimum future rents	$ 48,167,424

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 $35,977 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.

The Yakama Nation is a tribal government with a role in the investigation and cleanup of environmental contamination under both federal law (CERCLA) and state law (MTCA). Following the publication of the remedial investigation reports and feasibility study for public notice and comment, the Yakama Nation expressed its interest in resources impacted by the site, and its desire to participate in the development of the proposed remedial action for the site. In February 2015, the tribe requested that the port enter into a funding and participation agreement that would enable the Yakama Nation to be involved in the development and implementation of remedial actions. The Yakama Nation informed the port that if the port declined to enter into an FPA, the tribe would participate in the development and implementation of remedial actions at the site anyway, and seek recovery of its costs through appropriate means, including but not limited to litigation. The port and the Yakama Nation negotiated a reasonable and appropriate FPA.

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, 2015. There are no other responsible parties and no estimated recoveries reducing this liability as of December 31, 2015.

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, 2015 is $6,514,000.

Other Sites: 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 15 years. Total expected costs for these sites are $638,542.

The total environmental remediation obligation for all sites is disclosed on the Statement of Net Position at $7,152,542. 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 two 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 – Accounting and Reporting Changes

In 2015, the port implemented GASB Statement 68 - Accounting and Financial Reporting for Pensions. The GASB also issued Statement 71, Pension Transition for Contributions Made Subsequent to the Measurement Date (amends GASB Statement 68). An Amendment of GASB Statement No. 27 (Issued 06/12) - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all state sponsored pension plans and additions to/deductions from those plans' fiduciary net position have been determined on the same basis as they are reported by the Washington State Department of Retirement Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The implementation required the restatement of net position. The total adjustment is $5,038,746, which restated the December 31, 2014 Statement of Net Position from $294,795,149 to $289,756,403.

NOTE 16 – Unique and Unusual Transactions

A. Major Customer

The port had two major customers in 2015 that represented individually more than 10% percent of total operating revenues. These customers' commodities are derived from both the agriculture and automotive industries.

B. Subsequent Events

a) On December 8, 2015, the port approved Settlement Agreement with Columbia River Alliance for Nurturing the Environment (CRANE) and agreement to transfer property with Columbia Land Trust. The agreements accomplish the following goals: Allow the Port of Vancouver to complete its efforts to entitle approximately 450 net acres of marine and industrial development; respond to market demand primarily in the agriculture, dry bulk, liquid bulk, roll on roll off and heavy manufacturing sectors; creation of approximately 540 acres of habitat for Sandhill Cranes and other wildlife in the Vancouver lowlands; participate with the well-known and well respected Columbia Land Trust as steward of the habitat and open space; provide opportunity for substantial job creation and beneficial economic development to Vancouver, Clark County and the greater Portland region. The Port deposited into escrow the sum of Two Million Dollars $2,000,000 as a restricted fund to be held and applied by the Land Trust first to the costs of the initial habitat creation. The anticipated date of closing is March 31st, 2016. Starting on August 1, 2016, the port will make16 quarterly installments of $345,093.56 to the Land Trust, to fund an endowment totaling $5,521,481 by May 1, 2020. The endowment held in perpetuity by the Land Trust will be utilized for long term maintenance and operations.

b) In January of 2016, the port invested $985,151.14 in US Government and US Agency Issues in accordance with the Port's Investment Policy and the State of Washington's RCW's. Weighted Average Yield on the investments is .62% with a Weighted Average

Maturity of 1.63 years. In accordance with the Port's Investment Policy these investments are held in a Custodial Safekeeping Account managed by Key Bank.

c) On December 22, 2015 the port Commission of the Port of Vancouver approved Resolution No. 13-2015, authorizing the issuance and sale of senior lien revenue and refunding bonds in one or more series in the aggregate principal amount of not to exceed $40,000,000, for the purpose of financing the acquisition of real property and interests therein and the completion of capital improvements to the Port's properties and Facilities in connection with the West Vancouver Freight Access Project and the Centennial Industrial Park, and refinancing the acquisition of real property and interests therein and the completion of capital improvements to the Port's properties and Facilities which are currently financed with the proceeds of certain outstanding revenue bonds of the Port pursuant to an existing credit facility; setting forth certain bond terms and covenants; and delegating authority to approve final terms and conditions and the sale of the bonds. The issuance and sale of the senior lien revenue and refunding bonds is anticipated to take place in the second quarter of 2016.

Introduction

The Port of Vancouver is presenting Required Supplementary Information (RSI) to meet the minimum financial reporting requirements and is an integral part of the accompanying financial statements. RSI generally includes schedules, statistical data, and other information.

Port of Vancouver USA
Schedule of Proportionate Share of the Net Pension Liability
PERS 1
As of June 30 2015
Last 10 Fiscal Years*

		2015	20XX	20XX	20XX	20XX	20XX	20XX	20XX	20XX	20XX
Employer's proportion of the net pension liability (asset) PERS 1	%	0.001600%									
Employer's proportion of the net pension liability (asset) PERS 1 UAAL	%	0.053507%									
Employer's proportionate share of the net pension liability	$	2,882,609									
Employer's covered employee payroll	$	6,214,804									
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	%	46.38%									
Plan fiduciary net position as a percentage of the total pension liability	%	59.10%									
Notes to Schedule:											

** Until a full 10-year trend is compiled, governments should present information only for those years for which information is available.*

Port of Vancouver USA
Schedule of Proportionate Share of the Net Pension Liability
PERS 2/3
As of June 30 2015
Last 10 Fiscal Years*

		2015	20XX	20XX	20XX	20XX	20XX	20XX	20XX	20XX	20XX
Employer's proportion of the net pension liability (asset)	%	0.069126%									
Employer's proportionate share of the net pension liability	$	2,469,911									
Employer's covered employee payroll	$	6,133,352									
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	%	40.27%									
Plan fiduciary net position as a percentage of the total pension liability	%	89.20%									

Notes to Schedule:

** Until a full 10-year trend is compiled, governments should present information only for those years for which information is available.*

Port of Vancouver USA
Schedule of Employer Contributions
PERS1
As of December 31 *2015*
Last 10 Fiscal Years*

		2015	20XX	20XX	20XX	20XX	20XX	20XX	20XX	20XX	20XX
Statutorily or contractually required contributions	$	293,077									
Contributions in relation to the statutorily or contractually required contributions	$	(293,077)									
Contribution deficiency (excess)	$	0									
Covered employer payroll	$	6,640,591									
Contributions as a percentage of covered employee payroll	%	4.41%									

Notes to Schedule:

** Until a full 10-year trend is compiled, governments should present information only for those years for which information is available.*

Port of Vancouver USA
Schedule of Employer Contributions
PERS 2/3
As of December 31 *2015*
Last 10 Fiscal Years*

		2015	20XX	20XX	20XX	20XX	20XX	20XX	20XX	20XX	20XX
Statutorily or contractually required contributions	$	372,787									
Contributions in relation to the statutorily or contractually required contributions	$	(372,787)									
Contribution deficiency (excess)	$	0									
Covered employer payroll	$	6,610,511									
Contributions as a percentage of covered employee payroll	%	5.64%									

Notes to Schedule:

** Until a full 10-year trend is compiled, governments should present information only for those years for which information is available.*

Port of Vancouver
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2015

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures: From Pass-Through Awards	Expenditures: From Direct Awards	Expenditures: Total	Passed through to Subrecipients	Note
Highway Planning and Construction Cluster								
Federal Highway Administration (fhwa), Department Of Transportation (via WSDOT)	Highway Planning and Construction	20.205	TAP-1350(023)	264,000	-	264,000	-	1,2,3
Total Highway Planning and Construction Cluster:				**264,000**	**-**	**264,000**	-	
Federal Railroad Administration (fra), Department Of Transportation (via WSDOT)	High-Speed Rail Corridors and Intercity Passenger Rail Service – Capital Assistance Grants	20.319	FR-HSR-0082-11-01-00	2,185,973	-	2,185,973	-	1,2,3,4
Total Federal Awards Expended:				**2,449,973**	**-**	**2,449,973**	**-**	

The accompanying notes are an integral part of this schedule.

PORT OF VANCOUVER

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2015

Note 1 is required for all entities. Disclose other notes only if applicable to your circumstances.

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's portion, are more than shown. Such expenditures are recognized following, as applicable, either the cost principles in the OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3 - Indirect Cost Rate
The port has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 4 - 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.

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