Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

Port of Vancouver

Clark County

For the period January 1, 2016 through December 31, 2016

Published April 6, 2017

Report No. 1018901

Office of the Washington State Auditor
Pat McCarthy

April 6, 2017

Board of Commissioners
Port of Vancouver
Vancouver, Washington

Report on Financial Statements

Please find attached our report on the Port of Vancouver's financial statements.

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

Sincerely,

Pat McCarthy

State Auditor

Olympia, WA

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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, 2016 through December 31, 2016

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, 2016, and the related notes to the financial statements, which collectively comprise the Port's basic financial statements, and have issued our report thereon dated April 4, 2017.

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.

Pat McCarthy

Pat McCarthy

State Auditor

Olympia, WA

April 4, 2017

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Port of Vancouver
Clark County
January 1, 2016 through December 31, 2016

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, 2016, and the related notes to the financial statements, which collectively comprise the Port's basic financial statements as listed on page 9.

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, 2016, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 10 through 14, and pension plan information on pages 46 through 53 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 as a whole. The accompanying debt covenant information on pages 54 through 58 is presented as supplementary information. This information is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated April 4, 2017 on our consideration of the Port's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Port's internal control over financial reporting and compliance.

Pat McCarthy

Pat McCarthy

State Auditor

Olympia, WA

April 4, 2017

FINANCIAL SECTION

Port of Vancouver
Clark County
January 1, 2016 through December 31, 2016

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2016

BASIC FINANCIAL STATEMENTS

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Statement of Revenues, Expenses and Changes in Net Position – 2016
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Debt covenant information

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, 2016, with selected comparative information for the year ended December 31, 2015. 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. Over time, 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 $286.602 million (reported as total net position). Total net position decreased by $10.643 million in comparison with the prior year, primarily due to the disposition of capital assets of $9.030 million, and the issuance of $40 million of 2016 Series Revenue Bonds in support of the port's 2016/2017 capital development program.
- Total current and restricted assets increased by $13.374 million from 2015, primarily due to the issuance of $40 million of 2016 Series Revenue Bonds in support of the port's 2016/2017 capital development program.
- Current liabilities increased by $3.825 million from the prior year. In addition to the port's 2016 Series Revenue Bond Issuance in support of the completion of the West Vancouver Freight Access Project, the port also incurred other long-term obligations related to future project mitigation for its Columbia

Gateway property and other right-of-way acquisition projects, as a result, noncurrent liabilities, inclusive of net pension liabilities, increased by $25.059 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		
	2016	2015
Assets:		
Current and restricted assets	$ 32,075,170	$ 18,700,974
Capital assets, net	$367,205,492	363,641,075
Other noncurrent assets	$ 25,211,897	25,002,974
Total Assets	$424,492,559	$407,345,023
Deferred Outflows of Resources:		
Deferred Charge on Refunding	$ 2,044,251	2,255,407
Deferred Outflows - Pensions	$ 1,526,270	915,417
Total Deferred Outflows of Resources	$ 3,570,521	$ 3,170,824
Liabilities:		
Current liabilities	$ 14,185,999	$ 10,360,733
Noncurrent liabilities	$120,318,982	96,740,791
Net pension liabilities	$ 6,832,898	5,352,520
Total Liabilities	$141,337,879	$112,454,044
Deferred Inflows of Resources:		
Deferred Inflows - Pensions	$ 123,011	817,059
Total Deferred Outflows of Resources	$ 123,011	$ 817,059
Net Position:		
Net Invested in capital assets	$276,539,816	$299,570,889
Restricted	$ 392,908	1,041,572
Unrestricted	$ 9,669,466	(3,367,717)
Total Net Position	$286,602,190	$297,244,744

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:

- After achieving record revenues in 2015, the port's diversified commodity mix continued to produce significant revenues which enabled the port to only experience a small retraction from its record 2015 year with marine revenues, reaching $24.117 million. This is a change of only -6.20 percent or $1.595 million from 2015.
- The port experienced stable occupancy of its industrial leasehold facilities. Lease occupancy was 99 percent in 2016. While the port continues to experience market rate increases in 2016, 2015 was the final year of operations for its Terminal 1 hotel, as well as, several other smaller tenants, resulting in lease revenue of $8.138 million, a decrease of 9.87 percent from 2015.

- Total 2016 operating revenues decrease by $2.255 million (5.91 percent) from 2015 operating revenues.

Expenses:

- 2016 total operating expenses, before depreciation, increased slightly by $383 thousand (1.30 percent) over 2015 operating expenses. This increase in expense was primarily due to professional services in support of future revenue generating opportunities. Operating income, after depreciation, was -$5.550 million at December 31, 2016 as compared to -$2.201 million at 2015 yearend. As many of the port's West Vancouver Freight Access Projects are completed and placed into service, depreciation expense continues to increase, 6.53 percent over the previous year.

Non-Operating:

- 2016 total nonoperating revenue (expenses) decreased by $17.240 million from 2015, primarily due decreased federal and state grant revenue, the surplus of capital assets, and an adjustment to estimated environmental remediation activity costs.

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

CHANGE IN NET POSITION		
	2016	2015
REVENUES		
Operating Revenues:		
Marine terminal operations	$ 24,116,878	$ 25,711,897
Property lease/rental operations	8,137,690	9,029,214
Facilities sales and service	2,988,571	2,856,879
Security sales and service	509,266	492,043
General and administrative	156,760	73,870
Nonoperating Revenues:		
Ad valorem tax revenues	10,005,533	10,042,860
Interest income	115,043	206,247
Federal and State Grants	50,000	5,420,011
Environmental remediation	55,381	177,926
Other nonoperating revenues	217,547	4,424,054
Total Revenues	$ 46,352,669	$ 58,435,001
EXPENSES		
Operating Expenses:		
Marine terminal operations	11,564,137	$ 12,636,435
Facilities	6,214,094	6,634,460
Security	2,457,773	2,000,327
General and administrative	9,610,349	8,192,189
Depreciation	11,612,952	10,901,527
Nonoperating Expenses:		
Interest expense	3,265,039	2,232,541
Loss on disposal of assets	9,030,030	3,927,421
Other nonoperating expenses	3,149,770	4,932,592
Total Expenses	$ 56,904,144	$ 51,457,492
Capital contribution	(91,079)	510,831
Change in net position	(10,642,554)	7,488,340
Total net postion - beginning	297,244,744	294,795,149
Change in Accounting Principle	-	(5,038,745)
Total net position - ending	$286,602,190	$297,244,744

Capital Asset and Debt Administration

<u>Capital Assets</u>

The port's investment in total capital assets as of December 31, 2016 totaled $276.540 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 $3.564 million or 0.98 percent.

Major capital asset events during 2016 included the following:

Components of the multi-year West Vancouver Freight Access project continue through engineering and construction. The port completed the Gear Locker Relocation project ($2.695 million), Terminal 4 Paving Improvement project ($1.948 million), Terminal Operations Building Relocation project ($1.397 million), and various other port asset maintenance projects ($2.608 million).

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

<u>Long-term Debt</u>

At December 31, 2016, debt outstanding totaled $116.627 million. Of this amount, $46.210 million comprises general obligation debt, $25 million represents special revenue bonds secured by a letter of credit, and $40 million represents the 2016 Series Revenue Bonds secured by a net revenue pledge.

Additional information on the port's long-term debt can be found in Note 10 in the notes to the financial statements.

Economic Factors and 2017 Budget

<u>Economic Factors</u>

- Strategic investments and a diverse portfolio of commodities have positioned the Port of Vancouver USA to take full advantage of opportunities 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, dock improvements and world-class staff. Despite impressive gains in overall tonnage, fluctuations in currency and the global economy had an impact on the port in 2016, contributing to a slight decline in operating revenue from $38.164 million to $35.909 million.

- This past year was another impressive one in overall tonnage. Tonnage in 2016 was at 7.49 million metric tons, an increase from 6.96 million metric tons in 2015. The port's cargo mix and tonnage are good reflections of the national and global market, namely because materials essential to many industries move across Port of Vancouver docks. This includes wind components and copper concentrate – both commodities that increased last year. As economies worldwide mature, consumers are demanding more grain products. Grains exported through the port saw impressive gains in 2016, making it the best year for grain exports in the port's 105-year history. 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 and legumes (wheat, corn, soybeans and peas) continue to be the largest exports at the Port of Vancouver by volume, and overall these products increased by 17.41 percent over 2015. 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.

- Overall import volume at the port decreased by 17.50 percent in 2016 due to fluctuations in the global market and the changing landscape of trade. One bright spot in imports is wind energy components: towers, blades and nacelles brought in from Asia and Europe, and exported to eastern Oregon and the Midwest. Thanks to the continuation of Renewable Energy Production Tax Credits, the port imported 354 blades, 25 nacelles, 50 hubs and 31 towers – a noteworthy increase over 2015, in which the port did not import any wind energy components.

- While overall imports went down, the incredible increase in exports means the port saw more tonnage move across its docks than ever before. With these numbers, the Port of Vancouver USA is currently operating at 15.60 percent import to 84.40 percent exports.

- There was a slight decrease in the amount of vessels that came through the port in 2016. 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. There was, however, a 16.51 percent increase in railcars. In 2016, a record-breaking 65,100 railcars moved through port-owned track. Of those, 300 carried wind-energy components.

- Industrial occupancy at the port continues to exceed 99 percent. Construction is underway on a port-owned, 125,000-square-foot light-industrial building at Centennial Industrial Park. The facility is expected to be complete in summer 2017 and the port is currently accepting pre-leases.

- The port's 50-plus tenants offer a wide range of products and services, from wood paneling and aluminum extrusion to food transportation and electronics recycling. Tenant businesses employ thousands of people and contribute significantly to the local economy and tax base.

- For the sixth 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 continues its innovative stormwater management through the use of biofiltration technology that enables the port to meet regulatory requirements to control zinc, oil and other runoff contaminants. Other efforts in stormwater management include continued installation of floating wetlands in the port's Terminal 4 stormwater retention pond to assist in reducing copper and zinc.

- The port is continuing to invest in the Terminal 1 waterfront redevelopment project. In December 2016, the port hosted a waterfront open house to share its progress with the community and show future plans for the waterfront. More than 300 people attended the event, viewing renderings of both the port and city's waterfront projects and speaking with staff from the port, City of Vancouver and Columbia Waterfront LLC. The port also submitted its Concept Development Plan (CDP) application to the city on Dec. 23. The application detailed the port's plans for Terminal 1, including a hotel, public marketplace, commercial and retail space, public art and a connection to the city's Renaissance Trail.

<u>2017 Budget</u>
The port's 2017 operating revenues are forecast at $37.066 million, which is an increase over the $35.641 million 2016 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. 2017 operating expenses are forecast at $29.975 million, a slight increase over the actual 2016 operating expenses of $29.794 million.

The $44.044 million 2017 capital budget represents various facility and terminal improvements. However, the continued engineering and construction of the West Vancouver Freight Access project, which is nearing completion, remains a priority to improve the passenger and freight network operating on the Pacific Northwest Rail Corridor.

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

PORT OF VANCOUVER USA
STATEMENT OF NET POSITION
For the Year Ended December 31, 2016

ASSETS	
Current Assets	
Cash and cash equivalents (Note 1)	$ 24,607,800
Restricted cash and cash equivalents (Note 1)	864,235
Investments (Note 2)	985,198
Total Cash and Investments	26,457,233
Other Current Assets	
Accounts receivable - trade (net)	3,492,221
Grants receivable	50,000
Taxes receivable	183,161
Note receivable (current portion)	34,729
Inventory	1,261,726
Prepaid benefits	146,272
Prepaid expenses	91,769
Prepaid insurance	358,059
Total Other Current Assets	5,617,937
Total Current Assets	32,075,170
Noncurrent Assets	
Capital Assets Not Being Depreciated (Note 4)	
Land and land rights	83,760,295
Construction in progress	77,467,025
Total Capital Assets Not Being Depreciated	161,227,320
Capital Assets Being Depreciated (Note 4)	
Buildings and structures	79,546,111
Machinery and equipment	24,567,079
Improvements	245,841,105
Intangible asset (Note 4)	30,502
Total Capital Assets Being Depreciated	349,984,797
Accumulated Depreciation	(144,006,625)
Total Net Capital Assets	367,205,492
Other Noncurrent Assets	
Minimum lease payments-revenue bonds (Note 10)	25,000,000
Prepaid bond insurance	111,938
Note receivable	99,959
Total Other Noncurrent Assets	25,211,897
TOTAL ASSETS	**$ 424,492,559**
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Charge on Refunding (Note 10)	2,044,251
Deferred Outflows - Pensions (Note 7)	1,526,270
TOTAL DEFERRED OUTFLOWS OF RESOURCES	**$ 3,570,521**

See Accompanying Notes to the Financial Statements

PORT OF VANCOUVER USA
STATEMENT OF NET POSITION
For the Year Ended December 31, 2016

LIABILITIES	
Current Liabilities	
Accounts payable	$ 6,491,856
Payroll payable	635,781
Taxes payable	404,951
Retainage	407,748
Payable from restricted assets (customer deposits)	458,838
Current portion of GO Bonds (Note 10)	4,075,000
Current portion of other long-term obligations (Note 10)	1,461,292
Bond interest payable	250,533
Total Current Liabilities	14,185,999
Noncurrent Liabilities	
Employee leave benefits	1,108,270
General obligation bonds - net (Note 10)	43,218,294
Revenue bond (Note 10)	40,000,000
Special revenue bond (Note 10)	25,000,000
Note payable (Note 10)	3,955,342
Environmental remediation (Note 14)	6,438,400
Unearned Revenue	598,676
Total Net Pension Liability	6,832,898
Total Noncurrent Liabilities	127,151,880
TOTAL LIABILITIES	**$ 141,337,879**
DEFERRED INFLOWS OF RESOURCES	
Total Deferred Inflows - Pension	$ 123,011
TOTAL DEFERRED INFLOWS OF RESOURCES	**$ 123,011**
NET POSITION	
Total net investment in capital assets	276,539,816
Restricted (Note 13)	392,908
Unrestricted	9,669,466
TOTAL NET POSITION	**$ 286,602,190**

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, 2016

OPERATING REVENUES	
Marine terminal/operations	$ 24,116,878
Property lease/rental operations	8,137,690
Facilities sales and service	2,988,571
Security sales and service	509,266
General and administrative	156,760
Total Operating Revenues	35,909,165
OPERATING EXPENSES	
Marine terminal/operations	11,564,137
Facilities	6,214,094
Security	2,457,773
General and administrative	9,610,349
Total before depreciation	29,846,353
Depreciation	11,612,952
Total Operating Expenses	41,459,305
Operating Income(Loss)	$ (5,550,140)
NONOPERATING REVENUES (EXPENSES)	
Ad valorem tax revenues	$ 10,005,533
Interest income	115,043
Federal and state grants	50,000
Other revenues	90,056
Repair and replacement revenue	121,491
Miscellaneous taxes	6,000
Gain(Loss) on disposal of assets	(9,030,030)
Environmental remediation	55,381
Columbia River Channel Improvement expense	(82,118)
Interest expense	(3,265,039)
Other expense	(3,067,652)
Total Nonoperating Revenues (Expenses)	(5,001,335)
Income(Loss) before other revenues, expenses, gains, loses, and transfers	(10,551,475)
Capital contribution	(91,079)
Increase (decrease) in net position	(10,642,554)
Net Position as of January 1	297,244,744
Net Position as of December 31	**$ 286,602,190**

See Accompanying Notes to the Financial Statements

PORT OF VANCOUVER USA
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2016

CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$	35,345,142
Payments to suppliers		(16,423,877)
Payments to employees		(10,757,601)
Other payments		(2,936,838)
Net cash provided (used) by operating activities		5,226,826
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Payments for environmental remediation		(658,761)
Net cash provided by noncapital financing activities		(658,761)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from restricted property taxes		5,725,957
Proceeds from unrestricted property taxes		4,313,170
Grants received		53,783
Acquisition and construction of capital assets		(24,427,378)
Principal paid on bonds		(3,925,000)
Interest paid on bonds		(2,902,583)
Proceeds from bond issuance		40,000,000
Principal paid on line of credit		(14,400,000)
Proceeds from principal paid on notes payable		4,891,463
Contributed capital		(91,079)
Interest paid on notes		(343,818)
Proceeds from bond administration		6,000
Net cash used for capital and related financing activities		8,900,515
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash received (paid) from sales (purchases) of investment		(985,198)
Interest and dividends		114,481
Net cash provided by investing activities		(870,717)
Net increase (decrease) in cash and cash equivalents		12,597,863
Cash and cash equivalents and January 1		12,874,172
Cash and cash equivalents at December 31	$	25,472,035
Reconcile operating income to net cash provided by operating activities		
Net operating income (loss)	$	(5,550,140)
Adjustments:		
Depreciation		11,612,952
Change in assets and liabilities:		
Accounts receivable		175,380
Inventory		(9,933)
Unearned revenues		(617,831)
Other operating receivables		(108,305)
Accounts payable		2,488,438
Prepaid expenses		19,872
Taxes payable		(111,975)
Accrued liabilities		265,205
Nonoperating revenues (expenses)		(2,936,838)
Total adjustments		(835,986)
Net cash provided by operating activities	$	5,226,826

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES
During the fiscal year, the port received the following noncash capital contributions from it's customers.

NW Packing Water Main		(99,472)
TriStar Transload		8,392
Columbia River Alliance for Nurturing the Environment		(1,602,139)
Columbia Waterfront LLC		(2,896)
	$	(1,696,114)

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 located 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, 2016, the treasurer was holding $25,472,035 in short-term residual investments of surplus cash. The amount was 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 in 2016 was approximately $2,008,607.

For purposes of the statement of cash flows, the port considers short-term, highly liquid investments (including restricted assets) with maturity of three months or less from the purchase date to be cash equivalents.

2. Investments – See (Note 2, Deposits and Investments)

3. 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 $211,087.

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.

4. 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.

5. 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.

6. Restricted Assets and Liabilities

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

Deferred Compensation 457(f) Plans	15,822
Customer Deposits	458,838
R&R Fund	377,086
FSA	12,489
	$ 864,235

Only customer deposits are shown with a related liability.

7. Compensated Absences

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

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

8. Unearned Revenues

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

9. Deferred Compensation Plans

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

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

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

10. Capital Assets (See Note 4)

11. Long-term Debt (See Note 10)

12. 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.

13. 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

The port commission adopted Resolution 06-03 appointing its own port treasurer. The treasurer is responsible for the management and investment decisions of the port's deposits and investment accounts. The port commission has adopted an investment policy pursuant to its Resolution 8-03, which sets forth 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's investment policy establishes guidelines on types of investments, diversification and maximum maturity of its investments both on an individual security type basis and for the entire investment portfolio.

Deposits

The port has established direct banking services with KeyBank. The port's deposits are entirely covered by federal depository insurance (FDIC) or by collateral held in multiple financial institution collateral pool administered by the Washington Public Deposit Project Commission (PDPC). The port has not experienced any losses in its deposit accounts.

Custodial credit risk is the risk that in the event of the failure of a counterparty to an investment transaction the port will not be able to recover the value of its investments or collateral securities that are in the possession of the outside party. Of the port's total position of $896,476 in deposits, $0 is exposed to custodial credit risk because the investments are held by the port's brokerage firm, which is also the counterparty in those particular securities.

Investments

Investments, are stated at fair value, based on quoted market prices in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in the fair-value of investment is recognized as an increase or decrease to the investment assets and investment income.

Interest income on investments is recognized in non-operating revenue as earned. Changes in fair value of investments are recognized on the Statements of Revenues, Expenses, and Changes in Net Position.

State of Washington under Chapter 39.59 RCW limits the investment of public funds by local governments to the following authorized instruments: (i) bonds of the State or any local government in the State, (ii) general obligation bonds of any other state or local government thereof which have at the time of investment one of the three highest credit ratings of a nationally recognized rating agency, (iii) registered warrants of a local government in the same county as the local government making the investment, (iv) obligations of the U.S. government, its agencies and wholly owned corporations, or obligations issued or guaranteed by supranational institutions, provided, that at the time of investment, the United States government must be the largest shareholder of such institution, (v) obligations of the Federal Home Loan Bank, Fannie Mae and other government-sponsored enterprises whose obligations are or may become eligible as collateral for advances to member banks as determined by the board of governors of the federal reserve system, (vi) bankers' acceptances purchased in the secondary market, (vii) commercial paper purchased in the secondary market, subject to State Investment Board policies, and (viii) corporate notes purchased in the secondary market, subject to State Investment Board policies.

<u>Risks</u>
<u>Interest Rate Risk</u> – Interest rate risk is the risk that changes in interest will adversely affect the fair market value of an investment. Through its investment policy the port manages its exposure to fair market value losses arising from increasing interest rates by laddering its investments by maturity, establishing maturity limits for individual investments and maturity limits for its investment portfolio as a whole.

<u>Credit Risk</u> – 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 Investment Pool is an unrated 2a-7 like pool, as defined by the Government Accounting Standards Board.

<u>Custodial Credit Risk</u> – Custodial credit risk is the risk that in the event of the failure of a counterparty to an investment transaction the port will not be able to recover the value of its investments or collateral securities that are in the possession of the outside party. To minimize this risk, the port's investment policy requires that all security transactions, except the Washington State Local Government Investment Pool and the 457(f) Plan, are settled "delivery verses payment". This means that payment is made simultaneously with the receipt of the security. These securities are delivered to the port's safekeeping bank, Key Bank. With the exception of the Washington State Local Government Investment Pool and the 457(f) Plan, the port's investments are registered, or held by Port of Vancouver or its agent in the Port of Vancouver's name by the safekeeping bank. Of the port's total position of $25,560,557 in investments, $15,822 is exposed to custodial credit risk because the investments are held by the port's brokerage firm, which is also the counterparty in those particular securities.

Investments Measured at Amortized Cost

As of December 31, 2016, the port held the following investments at amortized cost:

December 31, 2016	Amortized Costs			
Investment Type	**Maturities**	**Port's own Investment**	**Investments held by Port as an agent for others**	**Total**
WA State Local Government Investment Pool	Less than one year	$ 24,559,537	$ -	$ 24,559,537
Total		**$ 24,559,537**	**$ -**	**$ 24,559,537**

Washington State Local Government Investment Pool (LGIP operates in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940 and is similar to a money market fund recognized by the Securities and Exchange Commission). The LGIP manages a portfolio of securities that meet the maturity, quality, diversification, liquidity and market value calculation requirements set forth by the Governmental Accounting Standard Board (GASB) for external investment pools that elect to measure, for financial reporting purposes, investments at amortized cost. The funds are limited to high quality obligations with regulated maximum and average maturities to minimize both market and credit risk. Investments are reported on trade date basis in accordance with generally accepted accounting principles (GAAP).

The LGIP transacts with its participants at a stable net asset value per share of $1.00, the same method used for reporting. Participants may contribute or withdraw funds on a daily basis. Participants must inform the Office of the State Treasurer (OST) of any contribution or withdrawal over one million dollars no later than 9 a.m. on the same day the transaction is made. Contributions or withdrawals for one million dollars or less can be requested at any time prior to 10am, at the sole discretion of OST. All participants are required to file with the State Treasurer documentation containing the names and titles of the officials authorized to contribute or withdraw funds. The LGIP does not impose liquidity fees or redemption gates on participant withdrawals.

Investments Measured at Fair Value

The port measures and reports investments at fair value using the valuation input hierarchy established by generally accepted accounting principles, as follows:

- Level 1: Quoted prices in active markets for identical assets or liabilities.
- Level 2: These are quoted market prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other than quoted prices that are not observable.
- Level 3: Unobservable inputs for an asset or liability.

On December 31, 2016, the port had the following investments measured at fair value:

December 31, 2016	Fair Value Measurment Using			
Investment Type	Quoted Prices Active Markets for Indentical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
D.A. Davidson - 457(f) Plan	$ 15,822	$ -	$ -	$ 15,822
Federal Home Loan Mortgage Corporation	249,991	-	-	249,991
Fannie Mae	249,259	-	-	249,259
Federal Home Loan Bank	250,419	-	-	250,419
FICO Strip	235,529	-	-	235,529
Total	**$ 1,001,020**	**$ -**	**$ -**	**$ 1,001,020**

The tables below identify the type of investments, concentration of investments in any one issuer, and maturities of the port investment portfolio as of December 31, 2016:

December 31, 2016	Maturities (in Years)				
Investment Type	Fair Value	Less than 1	1-3	More than 3	% of Total Portfolio
D.A. Davidson - 457(f) Plan	$ 15,822	$ 15,822	$ -	$ -	0.06%
Federal Home Loan Mortgage Corporation	249,991	-	249,991	-	0.98%
Fannie Mae	249,259	-	249,259	-	0.98%
Federal Home Loan Bank	250,419	-	250,419	-	0.98%
FICO Strip	235,529	-	235,529	-	0.92%
WA State Local Government Investment Pool *	24,559,537	$ 24,559,537	-	-	96.08%
Total	**$ 25,560,557**	**$ 24,575,359**	**$ 985,198**	**$ -**	**100.00%**
Percentage of Total Portfolio		**96.15%**	**3.85%**	**0.00%**	**100.00%**

* The fair value of the investments in the Washington State Local Government Investment Pool are same as the amortized cost of the pool shares.
With the exception of the amounts for D.A. Davidson - 457(f) and WA State Local Governement Investment Pool, which are considered Cash and Cash Equivalents, all other amounts are included within Investments .

The tables below identify the credit risk of the port investment portfolio as of December 31, 2016:

December 31, 2016	Moody's Equivalent Credit Ratings					
Investment Type	Fair Value	Aaa	Aa1	Aa2	Aa3	No Rating
D.A. Davidson - 457(f) Plan **	$ 15,822	$ -	$ -	$ -	$ -	$ 15,822
Federal Home Loan Mortgage Corporation	249,991	249,991	-	-	-	-
Fannie Mae	249,259	249,259	-	-	-	-
Federal Home Loan Bank	250,419	250,419	-	-	-	-
FICO Strip	235,529	235,529	-	-	-	-
WA State Local Government Investment Pool *	$ 24,559,537	-	-	-	-	24,559,537
Total	**$ 25,560,557**	**$ 985,198**	**$ -**	**$ -**	**$ -**	**$ 24,575,359**

* The fair value of the investments in the Washington State Local Government Investment Pool are same as the amortized cost of the pool shares.
** Investment comprised of mutual funds. Moody's credit ratings are not available.

NOTE 3 – PROPERTY TAXES

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

Propety Tax Calendar	
January 1	Tax is 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 lev at 100 percent 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 2016 was $0.14384 per $1,000 on an assessed valuation of $29,713,687,363 or a total regular levy of $4,274,038. The port also levied an additional $0.19226 per $1,000 for the repayment of general obligation bonds for a total additional levy of $5,712,820. For 2016, the port collected 97.88% 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 2016.

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 $30,502 as of December 31, 2016. The initial cost of $29,072 in 2004 and $20,427 in 2015 were for the easement of 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, 2016 was as follows:

Capital Assets Activities	Beginning Balance 01/01/2016	Increases	Decreases	Ending Balance 12/31/2016
Capital assets, not being depreciated:				
Land	85,365,330	-	1,605,035	83,760,295
Construction in progress	66,555,305	19,559,292	8,647,572	77,467,025
Total capital assets, not being depreciated	**$151,920,635**	**$19,559,292**	**$10,252,607**	**$161,227,320**
Capital assets, being depreciated:				
Buildings	44,808,861	36,124,624	1,387,374	79,546,111
Improvements other than buildings	277,105,944	4,763,910	36,028,749	245,841,105
Machinery and equipment	23,570,612	1,013,411	16,944	24,567,079
Intangible	33,014	-	2,512	30,502
Total capital assets being depreciated	**$345,518,431**	**$41,901,945**	**$37,435,579**	**$349,984,797**
Less accumulated depreciation for:				
Buildings	31,201,499	1,664,403	1,387,374	31,478,528
Improvements other than buildings	89,469,599	8,095,496	-	97,565,095
Machinery and equipment	13,126,893	1,853,054	16,944	14,963,003
Total accumulated depreciation	**$133,797,991**	**$11,612,953**	**$1,404,318**	**$144,006,625**
Total net capital assets	**$363,641,075**	**$49,848,284**	**$46,283,868**	**$367,205,492**

NOTE 5 - Construction and Other Significant Commitments

The port has active construction projects as of December 31, 2016. At year-end the port's commitments with contractors are as follows:

Project	Contract Amount	Spent to Date	Remaining Commitment
Rail Dry Bulk Track Improvements and Facility Relocation	$ 13,371,735	$ 2,583,856	$ 10,787,879
High Tank Replacement Phase 1	947,416	87,352	860,064
Centennial Industrial Park Lot 1 Building Project	7,980,580	890,270	7,090,310
WVFA Grain Track Unit Train Improvements Phase B	15,843,088	-	15,843,088
T-1 Abatement Phase B	86,731	44,988	41,743
Pile Driving Project	73,712	-	73,712
Boise Cascade Site Upgrade	248,426	20,308	228,118
Building 3125 Pole Shed Replacement	1,466,519	888,849	577,670
	$ 40,018,207	**$ 4,515,623**	**$ 35,502,584**

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 2016:

Aggregated Pension Amounts - All Plans	
Pension liabilities	$ (6,832,897)
Pension assets	$ -
Deferred outflows of resources	$ 1,526,268
Deferred inflows of resources	$ (123,011)
Pension expense/expenditures	$ 990,517

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 the DRS CAFR may be downloaded from the DRS website at www.drs.wa.gov.

Public Employees' Retirement System (PERS)

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.

<u>Contributions</u>
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 2016 were as follows:

PERS Plan 1		
Actual Contribution Rates:	Employer	Employee*
PERS Plan 1	6.23%	6.00%
PERS Plan 1 UAAL	4.77%	6.00%
Administrative Fee	0.18%	
Total	11.18%	6.00%

* For employees participating in JBM, the contribution rate was 12.26%.

The port actual contributions to the plan were $353,388 for the year ended December 31, 2016.

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 2016 were as follows:

PERS Plan 2/3		
Actual Contribution Rates:	Employer	Employee*
PERS Plan 2/3	6.23%	6.12%
PERS Plan 1 UAAL	4.77%	
Administrative Fee	0.18%	
Employee PERS Plan 3		varies
Total	11.18%	6.12%

* For employees participating in JBM, the contribution rate was 15.30%.

The port actual contributions to the plan were $461,653 for the year ended December 31, 2016.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2016 with a valuation date of June 30, 2015. 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 2015 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2016. Plan liabilities were rolled forward from June 30, 2015, to June 30, 2016, 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.

- For all systems, except LEOFF Plan 2, the assumed valuation interest rate was lowered from 7.8% to 7.7%. Assumed administrative factors were updated.

- Valuation software was corrected on how the nonduty disability benefits for LEOFF Plan 2 active members is calculated.

- New LEOFF Plan 2 benefit definitions were added within the OSA valuation software to model legislation signed into law during the 2015 legislative session.

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, 2016, 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%

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	$ 3,746,250	$ 3,106,603	$ 2,556,146
PERS 2/3	$ 6,860,779	$ 3,726,295	$ (1,939,751)

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, 2016, the port reported a total pension liability of $6,832,897 for its proportionate share of the net pension liabilities as follows:

	Liability
PERS 1	$ 3,106,603
PERS 2/3	$ 3,726,295

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

	Proportionate Share 6/30/15	Proportionate Share 6/30/16	Change in Proportion
PERS 1	0.0551%	0.0578%	0.0027%
PERS 2/3	0.0691%	0.0740%	0.0049%

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, 2016, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2015, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For the year ended December 31, 2016, the port recognized pension expense as follows:

	Pension Expense
PERS 1	$ 326,595
PERS 2/3	$ 663,922

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2016, the port reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ -
Net difference between projected and actual investment earnings on pension plan investments	$ 78,219	$ -
Changes of assumptions	$ -	$ -
Changes in proportion and differences between contributions and proportionate share of contributions	$ -	$ -
Contributions subsequent to the measurement date	$ 175,197	$ -
Total	$ 253,416	$ -

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 198,423	$ (123,011)
Net difference between projected and actual investment earnings on pension plan investments	$ 455,991	$ -
Changes of assumptions	$ 38,514	$ -
Changes in proportion and differences between contributions and proportionate share of contributions	$ 351,104	$ -
Contributions subsequent to the measurement date	$ 228,820	$ -
Total	$ 1,272,852	$ (123,011)

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 12/31	PERS 1
2017	$ (19,259)
2018	$ (19,259)
2019	$ 71,836
2020	$ 44,902
2021	
Thereafter	
Total	$ 78,219

Year ended 12/31	PERS 2/3
2017	$ 132,820
2018	$ 132,820
2019	$ 429,639
2020	$ 225,742
2021	
Thereafter	
Total	$ 921,021

NOTE 8 - PENSION PLANS - NONGOVERNMENTAL PLANS (PENSIONS PROVIDED THROUGH CERTAIN MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLANS)

Some port employees may be provided with pensions through a cost-sharing, multiple-employer defined benefit pension plan that, (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions to both employees of state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). The port has six union sponsored pension plans meeting these criteria. As of December 31, 2016, the nongovernmental plans are composed of the following:

Name of Pension Plan	Entity	Cost-Sharing	Financial Report	Benefit Type	# of Covered Employees	Benefit Terms	Contribution Requirments	Balance of Payables *	Expiration Date
47P	Oregon-Washington Carpenters-Employers Trust	Yes	Yes	Pension	4 Carpenters	Collective-bargaining agreement	5.06 multiple by hours worked	$2,616.02	6/1/2017
47AP Non-accrruing pension	Oregon-Washington Carpenters-Employers Trust	Yes	Yes	Non-Accruing Pension	4 Carpenters	Collective-bargaining agreement	1.65 multiple by hours worked	$ 853.05	6/1/2017
47PNA- Non-accruing pension	Oregon-Washington Carpenters-Employers Trust	Yes	Yes	Non-Accruing Pension	4 Carpenters	Collective-bargaining agreement	.40 multiple by hours worked	$ 206.80	6/1/2017
Dist 9 ER	Electrical Trust Funds	Yes	No	Pension	4 Electricians	Collective-bargaining agreement	3.42, 3.15 muliptle by hours worked	$1,713.20	1/1/2017
Edison Pension	Electrical Trust Funds	Yes	No	Pension	4 Electricians	Collective-bargaining agreement	6.75, 6.50 multiple by hours worked	$3,476.51	1/1/2017
NEBF	Electrical Trust Funds	Yes	Yes	Pension	4 Electricians	Collective-bargaining agreement	.03 multiple by hours worked	$ 706.81	1/1/2017
Pension	NW Laborers-Employers Trust Fund	Yes	Yes	Pension	9 NW Laborers	Collective-bargaining agreement	3.90 multiple by hours worked	$6,179.55	6/1/2017
Pension	AGC-IUOE Local 701 Trust Funds	Yes	Yes	Pension	6 Operating Engineers	Collective-bargaining agreement	4.40 multiple by hours worked	$4,307.60	1/1/2017
Local 290 Pension	UA Local Union 290 Plumbing and Pipfitting Industry	Yes	Yes	Pension	1 Plumber	Collective-bargaining agreement	10.47 multiple by hours worked	$1,785.19	4/1/2017
National Pension	UA Local Union 290 Plumbing and Pipfitting Industry	Yes	Yes	Pension	1 Plumber	Collective-bargaining agreement	1.51 multiple by hours worked	$ 257.51	4/1/2017
NASI Pension Fund	National Automatic Sprinkler Indsutry	Yes	No	Pension	2 Sprinkler Fitters	Collective-bargaining agreement	6.05 multiply by hours worked	$2,066.15	1/1/2017
Sprinkler Industry Supplemental Pension	National Automatic Sprinkler Indsutry	Yes	No	Pension	2 Sprinkler Fitters	Collective-bargaining agreement	5.48 multiply by hours worked	$1,871.42	1/1/2017

* The amounts were earned by 12/31/2016, and payables are due in January 2017. Required contributions to the pension plans are related to past services performed per union contracts.

NOTE 9 – 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 2016. 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 10 – LONG-TERM DEBT

A. <u>Long-Term Debt</u>

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.

B. General Obligation Bonds

General Obligation bonds currently outstanding are as follows:

Obligation	Original Issue	Interest Rate	Maturity	Balance 12/31/16
2009 Series A	15,000,000	3.0-5.0%	2028	9,370,000
2009 Series B	7,335,000	3.0-5.0%	2018	1,405,000
2011	5,600,000	2.0-4.0%	2021	3,015,000
2012 Seriers A	5,905,000	2.0-4.0%	2022	4,145,000
2012 Seriers B	29,745,000	0.38-3.614%	2028	28,275,000
	Total GO Bonds before current portion			$ 46,210,000
	Current portion			4,075,000
		Discount		(84,222)
		Premium		1,167,516
Deferred amount on refunding				(2,044,251)
	Total long-term GO bonds, net			$ 43,218,294

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

Year Ending December 31 2016	Principal	Interest
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	3,945,000	1,011,731
2022-2026	17,155,000	2,968,057
2027-2028	7,820,000	386,896
Total	$ 46,210,000	$ 9,929,282

C. Revenue Bonds

Revenue Bonds currently outstanding are as follows:

Obligation	Original Issue	Interest Rate	Maturity	Balance 12/31/16
2016 Revenue Bonds	40,000,000	1.325%-4.010%	2046	40,000,000
Total Revenue Bonds before current portion				$ 40,000,000
Current portion				-
Discount				-
Premium				-
Total long-term Revenue Bonds, net				$ 40,000,000

Annual debt service requirements to maturity for revenue bonds are as follows:

Year Ending December 31 2016	Principal	Interest
2017	-	1,364,737
2018	905,000	1,364,737
2019	920,000	1,352,745
2020	935,000	1,338,320
2021	950,000	1,320,742
2022-2026	5,085,000	6,276,108
2027-2031	5,835,000	5,523,829
2032-2036	6,910,000	4,445,445
2037-2041	8,340,000	3,018,462
2042-2046	10,120,000	1,240,245
Total	$ 40,000,000	$ 27,245,367

D. 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 12/31/16
Series 2009	$ 25,000,000	Adjustable	2029	$ 25,000,000

E. Notes Payable

a. 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
7/1/2017	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	$ 62,262

b. 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, 2016, the port completed work and subsequently reduced the promissory note in the amount of $63,469.

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

c. 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. Starting on August 1, 2016, the port will make16 quarterly installments of $345,093.56 to Columbia Land Trust, to fund an endowment totaling $5,521,481 by May 1, 2020. The endowment held in perpetuity by Columbia Land Trust will be utilized for long term maintenance and operations.

Date	Obligation
2/1/2017	345,093
5/1/2017	345,093
8/1/2017	345,093
11/1/2017	345,093
2/1/2018	345,093
5/1/2018	345,093
8/1/2018	345,093
11/1/2018	345,093
2/1/2019	345,093
5/1/2019	345,093
8/1/2019	345,093
11/1/2019	345,093
2/1/2020	345,093
5/1/2020	345,093
Total	$ 4,831,296

d. On May 24, 2016, the port approved Lease Agreement with Choose Fun, Inc. As consideration of this lease, the port has agreed to provide up to $130,000 as an allowance towards tenant improvements to the tenant allowance. Once all the costs of the tenant improvements are verified as paid in full, Choose Fun will receive a credit towards gross monthly sales rent due the port until Choose Fun is reimbursed, up to the $130,000 tenant allowance. During the year ending December 31, 2016, the promissory note was reduced in the amount of $59,455.

Date	Obligation
12/31/2017	70,545
Total	$ 70,545

NOTE 11 - CHANGES IN LONG-TERM LIABILITIES

During the year ended December 31, 2016, the following changes occurred in long-term liabilities:

	Beginning Balance 01/01/2016	Additions	Reductions	Ending Balance 12/31/2016	Due within One Year
G.O. Bonds	$ 50,135,000	$ -	$ 3,925,000	46,210,000	$ 4,075,000
Discounts/premiums/refunding	(989,984)		29,029	(960,955)	-
Special Revenue Bond	25,000,000	-	-	25,000,000	-
Revenue Bond	-	40,000,000	-	40,000,000	-
Total Bonds Payable	74,145,016	40,000,000	3,954,029	110,249,045	4,075,000
Notes Payable	525,168	5,651,481	760,018	5,416,631	1,461,292
Line of Credit	14,400,000	-	14,400,000	-	-
Environmental Remediation	7,152,542	-	714,142	6,438,400	-
Compensated Absences	1,036,525	71,746		1,108,271	-
Pension Obligations	5,352,520	1,480,378	-	6,832,898	-
Total long-term liabilities	**$ 102,611,771**	**$ 47,203,605**	**$ 19,828,189**	**$ 130,045,245**	**$ 5,536,292**

NOTE 12 – 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. Total cost for such leases was $35,301 for the year ended December 31, 2016. The leases expire between December 2018 and December 2020. Future minimum lease payments as follows:

Year	Obligation
2017	34,979
2018	30,243
2019	26,668
2020	26,668
	$ 118,558

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
2017	8,134,637
2018	6,695,133
2019	5,996,488
2020	5,005,138
2021	4,604,070
Thereafter	20,934,687
Total minimum future rents	$ 51,370,153

NOTE 13 – RESTRICTED COMPONENT OF NET POSITION

The port’s statement of net position reports $392,908 of restricted net assets.

Deferred Compensation 457(f): 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 14 - 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, 2016. There are no other responsible parties and no estimated recoveries reducing this liability as of December 31, 2016.

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, 2016 is $5,725,000.

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 $713,400. In May 2016, the port performed subsurface investigations at the terminal one. The result indicated some localized areas of shallow soil contamination (1-8 feet below ground surface) that exceed the state cleanup levels for petroleum hydrocarbons and some heavy metals. The investigations also indicate localized areas of groundwater contamination that exceed state cleanup levels for petroleum hydrocarbons, naphthalene and some heavy metals. Estimated costs for cleanup can be determined once future development impacts to the site are determined.

The total environmental remediation obligation for all sites is disclosed on the Statement of Net Position at $6,438,400. 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 15 – 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 10 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 16 – 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 17 – ACCOUNTING AND REPORTING CHANGES

In 2016, the port implemented the Governmental Accounting Standards Board (GASB) issued Statement No. 72, Fair Value Measurement and Application. The primary objective of this statement is to establish general principle for measuring fair value and standards of accounting and financial reporting for assets and liabilities measured at fair value. The port adopted this guidance in the current year and provided the required disclosures. The adoption of this guidance did not have a material impact on the net position and changes in net position.

In June 2015, GASB issued Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. The objective of this statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. The provisions in Statement 73 are effective for fiscal years beginning after June 15, 2015. The adoption of this guidance did not have a material impact on the net position and changes in net position.

In June 2015, GASB issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. The statement establishes standards for state and local government employer recognition, measurement and presentation of information about postemployment benefits other than pensions (OPEB). The provisions in Statement 75 are effective for fiscal years beginning after June 15, 2017. While the port has not offered postemployment benefits, it is currently evaluating the effect of the adoption of this standard on its financial statements and related disclosures.

In June 2015, GASB issued Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. This statement establishes the hierarchy of GAAP for state and local governments. The port adopted this guidance in the current year and provided the required disclosures. The adoption of this guidance did not have a material impact on the net position and changes in net position.

In August 2015, GASB issued Statement No. 77, Tax Abatement Disclosures. This statement ensures that financial statements prepared by state and local governments in conformity with generally accepted accounting principles provide citizens and taxpayers, legislative and oversight bodies, municipal bond analysts, and others with information they need to evaluate the financial health of governments, make decisions, and assess accountability. The Port adopted this guidance in the current year. While the port has the capability to provide tax abatements in conjunction with the

City of Vancouver and Clark County, it has no outstanding tax abatement agreements or abatements that are entered into by other governments that reduce tax revenues.

In December 2015, GASB issued Statement No. 78, Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, Accounting and Financial Reporting for Pensions. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. Prior to the issuance of this Statement, the requirements of Statement 68 applied to the financial statements of all state and local governmental employers whose employees are provided with pensions through pension plans that are administered through trusts that meet the criteria in paragraph 4 of that Statement. This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. The port adopted this guidance in the current year and provided the required disclosures. The adoption of this guidance did not have a material impact on the net position and changes in net position.

In December 2015, GASB issued Statement No. 79, Certain External Investment Pools and Pool Participants. This statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The requirements of this statement are effective for reporting periods beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. Those provisions are effective for reporting periods beginning after December 15, 2015. The port adopted this guidance in the current year and provided the required disclosures. The adoption of this guidance did not have a material impact on the net position and changes in net position.

In March 2016, GASB issued Statement No. 82, Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer’s pension liability is measured as of a date other than the employer’s most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. The port is currently evaluating the effect of the adoption of this standard on its financial statements and related disclosures.

NOTE 18 - UNIQUE AND UNUSUAL TRANSACTIONS

A. Major Customer

The port had two major customers in 2016 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 Event

On December 13, 2016, the Port of Vancouver commissioners approved Resolution No. 9-2016, 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 $30,000,000, for the purpose of financing the acquisition of real property and interests therein and completion of capital improvements and repairs to the port's properties and facilities, including, but not limited to, those in connection with the West Vancouver Freight Access Project, and refinancing the acquisition of real property and interests therein and the completion of capital improvements and repairs to the port's properties and facilities which are currently financed with 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 first half of 2017.

C. Unusual Transaction

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 total impact of loss on sales of port's asset in 2016 was $9.2 million. For additional information please refer to Note 10.

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.

REQUIRED SUPPLEMENTARY INFORMATION – STATE SPONSORED PLANS

REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans

Port of Vancouver USA
Schedule of Proportionate Share of the Net Pension Liability
PERS 1
As of June 30 2016
Last 10 Fiscal Years*

		2015	2016	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%	0.057846%								
Employer's proportionate share of the net pension liability	$	2,882,609	3,106,603								
Employer's covered employee payroll	$	6,214,804	7,097,085								
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	%	46.38%	43.77%								
Plan fiduciary net position as a percentage of the total pension liability	%	59.10%	57.03%								

Notes to Schedule:

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

** Covered payroll is the payroll on which contributions to a pension plan are based (GASB 82, par. 5)*

REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans

Port of Vancouver USA
Schedule of Proportionate Share of the Net Pension Liability
PERS 2/3
As of June 30 2016
Last 10 Fiscal Years*

		2015	2016	20XX	20XX	20XX	20XX	20XX	20XX	20XX	20XX
Employer's proportion of the net pension liability (asset)	%	0.069126%	0.074009%								
Employer's proportionate share of the net pension liability	$	2,469,911	3,726,295								
Employer's covered employee payroll	$	6,133,352	6,097,085								
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	%	40.27%	61.12%								
Plan fiduciary net position as a percentage of the total pension liability	%	89.20%	85.82%								

Notes to Schedule:

** Until a full 10-year trend is compiled, governments should present information only for those years for which information is available.*
** Covered payroll is the payroll on which contributions to a pension plan are based (GASB 82, par. 5)*

REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans

Port of Vancouver USA
Schedule of Employer Contributions
PERS1
As of December 31 *2016*
Last 10 Fiscal Years*

		2015	2016	20XX	20XX	20XX	20XX	20XX	20XX	20XX	20XX
Statutorily or contractually required contributions	$	293,077	353,389								
Contributions in relation to the statutorily or contractually required contributions	$	(293,077)	(353,389)								
Contribution deficiency (excess)	$	-	-								
Covered employer payroll	$	6,640,591	7,408,568								
Contributions as a percentage of covered employee payroll	%	4.41%	4.77%								

Notes to Schedule:

** Until a full 10-year trend is compiled, governments should present information only for those years for which information is available.*
** Covered payroll is the payroll on which contributions to a pension plan are based (GASB 82, par. 5)*
** Contributions are actual employer contributions to the plan. For PERS 1 this includes the portion of PERS 2/3 and PSERS 2 contributions that fund the PERS 1 UAAL.*
Contributions do not include employer-paid member contributions (GASB 82, Par. 8)

REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans

Port of Vancouver USA
Schedule of Employer Contributions
PERS 2/3
As of December 31 *2016*
Last 10 Fiscal Years*

		2015	2016	20XX	20XX	20XX	20XX	20XX	20XX	20XX	20XX
Statutorily or contractually required contributions	$	372,787	461,653								
Contributions in relation to the statutorily or contractually required contributions	$	(372,787)	(461,653)								
Contribution deficiency (excess)	$	-	-								
Covered employer payroll	$	6,610,511	7,408,568								
Contributions as a percentage of covered employee payroll	%	5.64%	6.23%								

Notes to Schedule:

** Until a full 10-year trend is compiled, governments should present information only for those years for which information is available.*
** Covered payroll is the payroll on which contributions to a pension plan are based (GASB 82, par. 5)*
** Contributions are actual employer contributions to the plan. For PERS 1 this includes the portion of PERS 2/3 and PSERS 2 contributions that fund the PERS 1 UAAL.*
Contributions do not include employer-paid member contributions (GASB 82, Par. 8)

REQUIRED SUPPLEMENTARY INFORMATION – NONGOVERNMENTAL PLANS

REQUIRED SUPPLEMENTARY INFORMATION - Nongovernmental Plans

Port of Vancouver USA
Schedule of Employer Contributions
Nongovernmental Plans (Pensions Provided Through Oregon-Washington Carpenters - Employers Trust Fund)
47P
As of December 31 *2016*
Last 10 Fiscal Years*

		2016	2017	20XX	20XX	20XX	20XX	20XX	20XX	20XX	20XX
Statutorily or contractually required contributions	$	36,806									

Notes to Schedule:

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

REQUIRED SUPPLEMENTARY INFORMATION - Nongovernmental Plans

Port of Vancouver USA
Schedule of Employer Contributions
Nongovernmental Plans (Pensions Provided Through Oregon-Washington Carpenters - Employers Trust Fund)
47AP Non-accruing pension
As of December 31 *2016*
Last 10 Fiscal Years*

		2016	2017	20XX	20XX	20XX	20XX	20XX	20XX	20XX	20XX
Statutorily or contractually required contributions	$	7,643									

Notes to Schedule:

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

REQUIRED SUPPLEMENTARY INFORMATION - Nongovernmental Plans

Port of Vancouver USA
Schedule of Employer Contributions
Nongovernmental Plans (Pensions Provided Through Oregon-Washington Carpenters - Employers Trust Fund)
47PNA Non-accruing pension
As of December 31 *2016*
Last 10 Fiscal Years*

		2016	2017	20XX	20XX	20XX	20XX	20XX	20XX	20XX	20XX
Statutorily or contractually required contributions	$	2,779									

Notes to Schedule:

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

REQUIRED SUPPLEMENTARY INFORMATION - Nongovernmental Plans

Port of Vancouver USA
Schedule of Employer Contributions
Nongovernmental Plans (Pensions Provided Through Electrical Trust Funds)
NEBF Pension
As of December 31 *2016*
Last 10 Fiscal Years*

	2016	2017	20XX	20XX	20XX	20XX	20XX	20XX	20XX	20XX
Statutorily or contractually required contributions	$ 6,254									

Notes to Schedule:

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

REQUIRED SUPPLEMENTARY INFORMATION - Nongovernmental Plans

Port of Vancouver USA
Schedule of Employer Contributions
Nongovernmental Plans (Pensions Provided Through Electrical Trust Funds)
Dist 9 ER
As of December 31 *2016*
Last 10 Fiscal Years*

	2016	2017	20XX	20XX	20XX	20XX	20XX	20XX	20XX	20XX
Statutorily or contractually required contributions	$ 15,159									

Notes to Schedule:

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

REQUIRED SUPPLEMENTARY INFORMATION - Nongovernmental Plans

Port of Vancouver USA
Schedule of Employer Contributions
Nongovernmental Plans (Pensions Provided Through Electrical Trust Funds)
Edison Pension
As of December 31 *2016*
Last 10 Fiscal Years*

	2016	2017	20XX	20XX	20XX	20XX	20XX	20XX	20XX	20XX
Statutorily or contractually required contributions	$ 30,634									

Notes to Schedule:

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

REQUIRED SUPPLEMENTARY INFORMATION - Nongovernmental Plans

Port of Vancouver USA
Schedule of Employer Contributions
Nongovernmental Plans (Pensions Provided Through NW Laborers-Employers Trust Fund)
As of December 31 *2016*
NW Laborers Pension
Last 10 Fiscal Years*

		2016	2017	20XX	20XX	20XX	20XX	20XX	20XX	20XX	20XX
Statutorily or contractually required contributions	$	76,224									

Notes to Schedule:

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

REQUIRED SUPPLEMENTARY INFORMATION - Nongovernmental Plans

Port of Vancouver USA
Schedule of Employer Contributions
Nongovernmental Plans (Pensions Provided Through AGC-IUOE Local 701 Trust funds)
AGC-IUOE Pension
As of December 31 *2016*
Last 10 Fiscal Years*

		2016	2017	20XX	20XX	20XX	20XX	20XX	20XX	20XX	20XX
Statutorily or contractually required contributions	$	53,238									

Notes to Schedule:

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

REQUIRED SUPPLEMENTARY INFORMATION - Nongovernmental Plans

Port of Vancouver USA
Schedule of Employer Contributions
Nongovernmental Plans (Pensions Provided Through UA Local Union 290 Plumbing and Pipefitting Industry)
Local 290 Pension
As of December 31 *2016*
Last 10 Fiscal Years*

		2016	2017	20XX	20XX	20XX	20XX	20XX	20XX	20XX	20XX
Statutorily or contractually required contributions	$	21,056									

Notes to Schedule:

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

REQUIRED SUPPLEMENTARY INFORMATION - Nongovernmental Plans

Port of Vancouver USA
Schedule of Employer Contributions
Nongovernmental Plans (Pensions Provided Through UA Local Union 290 Plumbing and Pipefitting Industry)
National Pension
As of December 31 *2016*
Last 10 Fiscal Years*

		2016	2017	20XX	20XX	20XX	20XX	20XX	20XX	20XX	20XX
Statutorily or contractually required contributions	$	3,085									

Notes to Schedule:

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

REQUIRED SUPPLEMENTARY INFORMATION - Nongovernmental Plans

Port of Vancouver USA
Schedule of Employer Contributions
Nongovernmental Plans (Pensions Provided Through National Automatic Sprinkler Industry)
NASI Pension
As of December 31 *2016*
Last 10 Fiscal Years*

		2016	2017	20XX	20XX	20XX	20XX	20XX	20XX	20XX	20XX
Statutorily or contractually required contributions	$	23,322									

Notes to Schedule:

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

REQUIRED SUPPLEMENTARY INFORMATION - Nongovernmental Plans

Port of Vancouver USA
Schedule of Employer Contributions
Nongovernmental Plans (Pensions Provided Through National Automatic Sprinkler Industry)
As of December 31 *2016*
Sprinkler Industry Supplemental Pension
Last 10 Fiscal Years*

		2016	2017	20XX	20XX	20XX	20XX	20XX	20XX	20XX	20XX
Statutorily or contractually required contributions	$	21,150									

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
Debt Covenant Information
December 31, 2016

Introduction

The Supplementary and Other Information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. This information generally includes schedules, statistical data, and other information.

SUPPLEMENTARY AND OTHER INFORMATION

Table 2
Outstanding Port Obligations

Revenue Bonds [1]	Date of Issue	Date of Maturity	Amount Issued	Amount Outstanding
Series 2016 Bonds	6/22/2016	12/1/2046	$40,000,000	$40,000,000
Bond Total			$40,000,000	$40,000,000
Subordinate Lien Obligations [1]	**Date of Issue**	**Date of Maturity**	**Amount Issued**	**Amount Outstanding**
Taxable Revenue Bonds, Series 2013 (Subordinate)	2/28/2013	2/28/2018	$50,000,000	$0
Subordinate Lien Obligation Total			$50,000,000	$0
Special Revenue Bonds [1]	**Date of Issue**	**Date of Maturity**	**Amount Issued**	**Amount Outstanding**
Refunding Revenue Bonds (United Grain Corporation of Oregon Project) Series 2009	10/21/2009	10/1/2029	$25,000,000	$25,000,000
Special Revenue Bond Total			$25,000,000	$25,000,000
General Obligation Bonds and Notes [1]	**Date of Issue**	**Date of Maturity**	**Amount Issued**	**Amount Outstanding**
LTGO Bonds, 2009A	03/26/2009	12/01/2028	$15,000,000	$9,370,000
LTGO Bonds, 2009B	03/26/2009	12/01/2018	7,335,000	1,405,000
LTGO Refunding Bonds, 2011	12/20/2011	12/01/2021	5,600,000	3,015,000
LTGO Refunding Bonds, 2012	03/19/2012	12/01/2022	5,905,000	4,145,000
LTGO Refunding Bonds, 2012B	12/03/2012	12/01/2028	29,745,000	28,275,000
WSDOT Note	03/08/2012	07/01/2022	250,000	62,262
LaFarge Note	05/22/2012	12/31/2018	516,000	452,531
CRANE Note	03/31/2016	05/01/2020	5,521,481	4,831,296
Choose Fun Note	05/24/2016	12/31/2017	130,000	70,545
General Obligation Bond/Note Total			$70,002,481	$51,626,634

(1) See Note 10 "Long-Term Debt" of the "Notes to the Financial Statements" of the Port's 2016 Audited Financial Statements

Table 4
Net Revenue Available for Debt Service as Defined in the Bond Resolution
(For the Year Ended December 31)

	2016
Gross Revenue as defined in the Resolution	
Operating Revenue	$35,909,165
Plus: Investment Income	115,043
Plus: Other Revenues	267,547
Plus: Gain on sale of Disposal of Assets	223,842
Gross Revenue	**$36,515,597**
Operating Expenses as defined in the Resolution	
Operating Expenses Before Depreciation	$29,846,353
Less: Ad Valorem Tax Revenues not used for LTGO Bonds payments	(4,296,428)
Less: Non-cash Pension Expense	(175,476)
Operating Expenses	**$25,374,449**
Net Revenues Available for Debt Service	**$11,141,148**
Maximum Annual Debt Service on the Series 2016 Bonds	**$2,274,253**
Coverage Ratio on the Series 2016 Bonds	**4.90x**

Table 6
Marine Terminal Revenues

	2016
Dockage	$11,892,857
Wharfage	2,909,046
Service & Facilities	1,734,746
Marine Facilities	1,768,007
Equipment Rentals	1,048,860
Loading /Unloading Operations	4,076,033
Other Sales & Services	687,329
Total Terminals Revenues	**$24,116,878**

Table 7
Historical Cargo Volumes (Tonnage) and Vessel Calls

	2016
Vessel Calls:	410
Outbound/Exports:	
Dry Bulk	5,737,351
Liquid Bulk	139,086
General – Breakbulk	443,499
Inbound/Imports:	
Dry Bulk	81,199
Liquid Bulk	309,615
General Breakbulk	777,602

Table 10
Statement of Revenues, Expenses, and Changes in Net Fund Position

See the “Statement of Revenues, Expenses, and Changes in Net Fund Position” and associated “Notes to the Financial Statements” located in the Port’s 2016 Audited Financial Statements.

Table 11
Statement of Net Position

See the “Statement of Net Position” and associated “Notes to the Financial Statements” located in the Port’s 2016 Audited Financial Statements.

Table 12
Port Investments
(as of December 31,)

Investments	2016
Washington State Local Government Investment Pool	$ 24,559,537
D.A. Davidson 457(f) Plan	15,822
Federal Home Loan Mortgage Corporation	249,991
Fannie Mae	249,259
Federal Home Loan Bank	250,419
FICO Strip	235,529
	$ 25,560,557

For further detail on the Port's investment portfolio, see "Note 1 D-1 & D-2", and "Note 2" located in the "Notes to the Financial Statement" of the Port's 2016 Audited Financial Statements

Table B-2
Trends in Assessed Values

Tax Collection Year	Regular Assessed Valuation	Percent Change
2017	$ 33,079,223,893	11.3% (1)

(1) Based on a 2016 regular assessed valuation of $29,713,687,363

Table B-3
Ad Valorem Tax Levies
(dollars per $1,000 of Assessed Valuation)

	Levy Rates			Levy Amounts		
Collection Year	Regular	Bond(1)	Total(2)	Regular	Bond(1)	Total(2)
2017	$0.129090	$0.172817	$0.301907	$4,270,193	$5,716,665	$9,986,858

(1) non-voted, general obligation bor
(2) Totals may not foot due to round
Source: Clark County Assessor's Office.

Table B-4
Regular Levy Tax Collection Record

Collection Year	Regular Assessed Valuation(1)	Ad Valorem Levy Rate	Ad Valorem Tax Levy	Tax Collection in Year of Levy
2017	$33,079,223,893	$ 0.129090	$ 4,270,193	(2)
2016	29,713,687,363	0.143841	4,274,038	97.9%

(1) Asssessed valuation is based upon 100% of estimated actual valuation

(2) In process of collection

Source: Clark County Assessor's Office.

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

Contact information for the State Auditor's Office	
Public Records requests	PublicRecords@sao.wa.gov
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov